

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (08/10):**

BUTTER: Grade AA closed at \$1.7500. The weekly average for Grade AA is \$1.7270 (+.0655).

CHEESE: Barrels closed at \$1.8200 and 40# blocks at \$1.8550. The weekly average for barrels is \$1.7910 (+.1105) and blocks, \$1.8185 (+.1145).

BUTTER HIGHLIGHTS: The cash butter price has steadily increased throughout the week. The current price of \$1.7500 compares to \$1.6900 a week ago, \$1.5400 a month ago, and \$2.0675 last year at this time. Churning schedules across the country are often being challenged by tightening cream supplies. Class II demand continues to absorb a significant portion of available cream and this need is starting to show signs of easing. Many butter producers feel that cream supplies will remain snug for the next few weeks, as school bottling standardizing resumes and Class II demand eases further, cream supplies should become more available. Overall volumes of standardized cream may be lighter this year as butterfat levels on incoming milk have been lower for much of the summer. Limited churning cream supplies are often causing butter producers to reach into inventories to fulfill butter demand. Microfixing is starting to be reported at more locations. Butter demand is holding steady from coast to coast. Some butter producers are indicating that they are concerned about upcoming tight milk supplies due to drought, heat, and feed costs and supplies that will probably short milk for butter production before the impact is felt by cheese plants. Butter exports continue with the assistance of the CWT program. The most recent assistance was for 271 MT (597,453 pounds). Thus far in 2012, the CWT program has assisted with 56 million pounds of butter exports. According to FAS, June butter and milk fat exports totaled 8.5 million pounds, 34% lighter than June 2011. Cumulative exports for the first 6 months of 2012 (January - June) totaled 65.5 million pounds, 26% less than the comparable period last year.

CHEESE HIGHLIGHTS: CME cash trading on blocks and barrels broke through \$1.8000 for the first time since late November last year and ended the week with blocks at \$1.8550 and barrels at \$1.8200. Cheese inventories are currently in a normal range which manufacturers are comfortable with. Milk supplies are tightening seasonally in much of the country. Looking ahead, there is some apprehension related to uncertainty over what impact the prolonged

drought will have on feed and hay supplies and hence, milk production available for making cheese. This is causing some discussion about potential volatility in spot cash markets as the year winds on. Cheese retail advertising volume reported in the National Dairy Retail Report is up, following three periods of declining volume. Current cheese ad numbers are 20.2% above volume two weeks ago. The weighted average advertised price of 8 ounce shredded increased 9.3% to \$2.36; 8 ounce blocks increased 4.5% to \$2.30; 1 pound blocks increased 0.3% to \$3.95; and 2 pound blocks increased 5.0% to \$5.66. Only 1 pound shreds declined, -17.2%, to \$3.41. Total cheese production in the U.S. in June reached 896.8 million pounds, up 0.9% or 7.7 million pounds from last year. Cumulative total cheese output for the U.S. through June is 5.4 billion pounds, up 2.7% or 144.6 million pounds from 2011.

FLUID MILK: Hot weather is impacting and lowering milk production over most of the nation. California, Arizona, Florida and the Southeast region have especially felt the heat this week. Milk production in the Northeast and the Pacific Northwest are at seasonal levels. Many schools are beginning their fall terms, increasing Class I demand and lowering manufacturing milk supplies. Cream supplies are very tight in the East and multiples have moved significantly higher. Cream markets are firming in the West and mostly steady in the Midwest. According to the latest NASS crop report, corn production is forecast at 10.8 billion bushels, down 13% from 2011 and the lowest production since 2006. Based on conditions as of August 1, yields are expected to average 123.4 bushels per acre, down 23.8 bushels from 2011. If realized, this will be the lowest average yield since 1995. Area harvested for grain is forecast at 87.4 million acres, down 2% from the June forecast but up 4% from 2011. Soybean production is forecast at 2.69 billion bushels, down 12% from last year. Based on August 1 conditions, yields are expected to average 36.1 bushels per acre, down 5.4 bushels from last year. If realized, the average yield will be the lowest since 2003. Area for harvest is forecast at 74.6 million acres, down 1% from June but up 1% from 2011.

DRY PRODUCTS: Nonfat dry milk prices continued to trend higher across the nation. The market tone remains firm. Production

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NATIONAL DAIRY RETAIL REPORT (attached)

CME GROUP CASH TRADING

COMMODITY	MONDAY AUG 06	TUESDAY AUG 07	WEDNESDAY AUG 08	THURSDAY AUG 09	FRIDAY AUG 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.7125 (+.0275)	\$1.7725 (+.0600)	\$1.8250 (+.0525)	\$1.8250 (N.C.)	\$1.8200 (-.0050)	:: :: (+.1350)	:: :: \$1.7910 :: (+.1105)
40# BLOCKS	\$1.7375 (+.0275)	\$1.8000 (+.0625)	\$1.8500 (+.0500)	\$1.8500 (N.C.)	\$1.8550 (+.0050)	:: :: (+.1450)	:: :: \$1.8185 :: (+.1145)
NONFAT DRY MILK EXTRA GRADE	\$1.4000 (N.C.)	\$1.4000 (N.C.)	\$1.4000 (N.C.)	\$1.4100 (+.0100)	\$1.4400 (+.0300)	:: :: (+.0400)	:: :: \$1.4100 :: (+.0800)
GRADE A	\$1.4000 (N.C.)	\$1.4000 (N.C.)	\$1.4050 (+.0050)	\$1.4300 (+.0250)	\$1.4800 (+.0500)	:: :: (+.0800)	:: :: \$1.4230 :: (+.0370)
BUTTER GRADE AA	\$1.6900 (N.C.)	\$1.7100 (+.0200)	\$1.7350 (+.0250)	\$1.7500 (+.0150)	\$1.7500 (N.C.)	:: :: (+.0600)	:: :: \$1.7270 :: (+.0655)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.

Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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declined in the East and West, but was steady to higher in the Midwest. Some manufacturers in the Midwest and East are limiting spot sale quantities to assure coverage of contract customers desiring additional loads. Dry buttermilk prices are trending higher and the market undertone remains firm. Production is steady in the Midwest, declining in the East and West. Dry whey prices moved higher in all regions with sharp increases in the West. Demand is turning more aggressive as buyers attempt to increase coverage of future needs. Spot sales activity is light. Whey protein concentrate 34% prices were unchanged as the price range narrowed. Some spot buyers are opting for contracts in the near term to assure supply. Lactose prices are unchanged on a steady market.

ORGANIC DAIRY MARKET NEWS (DMN): In the real world of organic dairy, times are good and times are bad. Retailers are committing dollars for retail advertising of organic milk at near record volume levels. Some processors continue to be inventive in marketing milk into densely populated urban areas, increasing sales. A national dairy this week announced a spin-off of its' organic division in an initial public stock offering and investors responded favorably by driving the price of the firm up. This is viewed as a favorable verdict by the "stock market". The bad times are still not quantified, but relate to this summer's weather. There is more hay moving longer distances than would be normal, at higher prices, such as from the west to some of the Midwest. Organic dairy farmers are having margins squeezed as feed prices increase. There are reports of organic grain being sold at prices near \$1,000 a ton, even in New England. Of concern now, is where organic grain prices will settle once the year's crop harvest is completed. Sometimes forgotten is that organic grain prices showed upward movement before this summer's heat and drought. The big question for this fall will be whether organic milk prices paid to farmers will increase enough to deter some of the potential exodus from organic dairy farming that ever higher feed prices may generate. Right now, there are many "raw nerves" as many in the organic dairy industry await possible events of coming months. Organic dairy advertising volume remained strong following last period's record setting levels of overall organic dairy ads, organic milk ads and organic half gallon milk ads. This period's organic retail ad numbers are the third highest of any period since this data series began during fall 2009. Organic milk and organic half gallon ads are the second highest level since fall 2009. The national weighted average advertised price of organic milk half gallons, \$3.27, is 37 cents lower than two weeks ago. The price range is \$4.99 to \$2.29, unchanged at the top but 10 cents lower at the bottom. This price spread is the greatest for organic half gallons by 10 cents since this data series began during fall 2009. Ads for 4-6 ounce organic yogurt yielded a weighted average advertised price of 63 cents, up 4 cents, from two weeks ago. The top of the price range, 79 cents, is 19 cents higher than two weeks ago and the range low price, 57 cents, is 7 cents higher. Nearly five times as many ads are for national brands than store brands. The current national organic half gallon milk weighted average advertised price of \$3.27, compares with \$2.28 for non-organic half gallons. This yields an organic-conventional half-gallon milk advertised price spread of \$0.99, down from \$1.83 two weeks ago and \$0.35 above the average for the year to date. During 2012 the spread has ranged from \$0.78 to \$2.46.

JUNE FLUID MILK SALES (AMS): During June, 4.1 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.3% lower than June 2011. After adjusting for calendar composition, sales in June 2012 were 0.8% lower than June 2011. Estimated sales of total conventional fluid milk products decreased 0.5% from June 2011 and estimated sales of total organic fluid milk products decreased 3.9% from a year earlier.

NATIONAL DAIRY RETAIL REPORT (DMN): Total conventional dairy retail ads increased by 4.4% this week, following a 20.1% decline the previous reporting period. Conventional cheese and yogurt ad numbers increased while ads for milk declined by 32.3% and cream cheese ads declined by 51.6%. The most advertised cheese category, 8 ounce shreds, has a weighted average advertised price of \$2.35, a 8.8% increase from last cycle. The average price for 8 ounce blocks, \$2.32, is a 5.5% increase from the last cycle. The weighted average advertised price of 4-6 ounce yogurt is \$.49 and \$.99 for 4-6 ounce Greek yogurt. The weighted average advertised price of each type of yogurt is one cent lower than during the last survey period. The weighted average advertised price for 48-64 ounce ice cream containers is \$3.12, up 3.0%. Ice cream in 48-64 ounce containers is the single most advertised item this survey period, having increased by 25.7%, after declining by 24.0% during the last reporting period. However, if all package sizes of cheese or yogurt are totaled, cheese and yogurt each have more ads than 48-64 ounce ice cream. Yogurt ad numbers increased by 36.5%, more than reversing the 20.1% decline two weeks ago. Cheese ad numbers increased by 34.4%, following a decline of 15.0% during the last survey period. Conventional milk's national weighted average advertised price for half gallons this period, \$2.28, is 47 cents above two weeks ago. Organic milk's national weighted average advertised price for half gallons, \$3.27, is down 37 cents from last period. This results in an organic-conventional half-gallon milk advertised price spread of \$0.99, down from \$1.83 two weeks ago. Numbers of ads for conventional half gallons milk store brands are a bit higher than ads for national brands. In contrast, with organic milk, over fourteen times as many ads for half gallons appeared for store brands than national brands.

CME GROUP

MONDAY, AUGUST 6, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.7050; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7125; 1 CAR 40# BLOCKS @ \$1.7375; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6900; LAST OFFER UNCOVERED: NONE

TUESDAY, AUGUST 7, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.7225; 2 CARS 40# BLOCKS @ \$1.8000; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.7725; 2 CARS 40# BLOCKS @ \$1.8000; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7100; LAST OFFER UNCOVERED: NONE

WEDNESDAY, AUGUST 8, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.8250; 8 CARS 40# BLOCKS: 1 @ \$1.8000, 1 @ \$1.8075, 1 @ \$1.8100, 1 @ \$1.8150, 2 @ \$1.8175, 2 @ \$1.8200; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8150; 1 CAR 40# BLOCKS @ \$1.8500; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 10 CARS EXTRA GRADE @ \$1.4000; 1 CAR GRADE A @ \$1.4050; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7350; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7600

THURSDAY, AUGUST 9, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.4100; 1 CAR GRADE A @ \$1.4300; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7500; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7700

FRIDAY, AUGUST 10, 2012

CHEESE -- SALES: 19 CARS BARRELS: 5 @ \$1.8150, 14 @ \$1.8200; 4 CARS 40#BLOCKS: 2 @ \$1.8525, 2 @ \$1.8550; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8200; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.4400; 1 CAR GRADE A @ \$1.4800; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7500; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7900

NORTHEAST

The CME Group butter price advanced \$0.0200 on Tuesday to close at \$1.7100. Over the last 4 trading sessions butter prices have netted a \$0.0650 gain. Butter production declined this week with one plant down for a time to complete some planned maintenance. Butter orders are steady with last week and at typical levels for this time of year. The tight cream supply has some plants microfixing bulk supplies in order to fill current orders. Cooperatives Working Together (CWT) announced August 6, the acceptance of requests for export assistance to sell 597,453 pounds of butter. The product will be delivered August through January 2013. During 2012, CWT has assisted member cooperatives in making export sales of butter and anhydrous milk fat totaling 56.0 million pounds. According to NASS, cumulative 2012 butter production through June was 6.1% above cumulative year production for the same period for 2011. June's monthly U.S. butter production totaled 136.8 million pounds, down 16.2% from May and 3.2% less compared to June 2011. Atlantic region butter production in June totaled 10.4 million pounds, down 32.5% from May and 12% less than June 2011. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price continues to trend higher and settled at \$1.7350 at midweek. The current cash price compares to \$1.6450 a week ago, \$1.5375 a month ago, and \$2.1000 a year ago. Butter producers are indicating that cream supplies are tightening and pricing multiples are firm. Many butter producers feel that cream supplies will remain snug for the next few weeks, but once school bottling standardizing resumes and Class II demand eases, cream supplies should become more available. Although school milk standardizing is set to resume soon, overall volumes of standardized cream may be lighter this year as butterfat levels on incoming milk have been lower for much of the summer. Churning activities in the Central part of the country have been steady and basically geared to current needs with inventory enhancement limited. Some producers and handlers are reaching into inventories to fill all needs. Overall, butter demand is holding steady. Retail orders are steady, with some orders enhanced by scheduled feature activities. Food service orders are fairly stable. The CWT program again extended assistance for 597,453 pounds (271 MT) of butter for export now through January 2013. Thus far this calendar year, butter and anhydrous milk fat export assistance has been extended for 56 million pounds. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

Butter prices at the CME Group continue to firm. Since last week, prices have increased 9 cents to stand at \$1.7350 at midweek. Early last week prices were

lower, but there definitely seems to be a strengthening trend developing now. There has been enough heat in the region to start taking the top off the milk supplies and fat tests are also declining seasonally. Less cream is available for churning. Butter production is lower and demand is increasing earlier than seasonally normal. Though, everything related to dairy markets seems to be early this year. Some plants are looking at the numbers and deciding to sell some cream now and lock in a good profit as opposed to churning and planning on higher prices later in the year. Bulk butter seems to be moving directly to end users that are better positioning themselves for fall markets. Prints are going to retail accounts and food service companies at what is being called a fair to good pace. Contacts seem to be indicating that they are concerned about upcoming tight milk supplies due to drought, heat, and feed cost and supplies that will probably short milk for butter production before the impact is felt by cheese plants. Prices for bulk butter range from 2 cents under to 4 1/2 cents under the market, based on the CME with various time frames and averages used. According to the NASS Dairy Products report, June butter production for the U.S. totals 136.8 million pounds, down 3.2% or 4.5 million pounds from June of last year. This is the first decline compared to a year earlier noted in 2012. Cumulative output through June for the U.S. is 996.0 million pounds, up 6.1% or 57.6 million pounds from the same period in 2011. June output in the Western region totals 79.0 million pounds, up 2.4% or 1.9 million pounds more than June of 2011. The West produced 57.7% of the butter in the U.S. in June. According to the ERS Commercial Disappearance report, butter disappearance on a daily average basis for the first 5 months of the year totals 714.5 million pounds, down 0.2% from last year.

2012 U.S. Butter and Milkfat Exports, (USDA-FAS)

	(Million Lb.)	% Change From 1 Year ago
June Total	8.5	- 34
TOTAL, Jan — June	65.5	- 26
1 Saudi Arabia	22.5	+ 43
2 Iran	8.4	+ 272
3 Morocco	7.4	+ 8
4 Egypt	6.7	+ 3
5 Japan	2.3	- 59

NATIONAL DAIRY PRODUCTS SALES REPORT

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
August 4, 2012	1.6311 3,288,718	1.7121 11,507,534	1.7189 9,342,816	0.5197 6,738,920	1.2144 12,927,686

CHEESE MARKETS

NORTHEAST

Cheese prices on the CME Group saw significant increases on Tuesday with barrels advancing \$0.0600 to close at \$1.7725 and blocks up \$0.0625 to close at \$1.8000. In the last three trading sessions barrels have increased \$0.0975 and blocks \$0.1000. Cheese production remains steady with last week. Current production is in balance with existing orders at most plants, keeping inventories static. Cheese makers are comfortable with their current supplies. Demand is improving, especially for mozzarella as food service and pizza makers prepare for the fall school term. Cheese makers continue to purchase additional loads of condensed skim for fortification purposes. Export demand continues to be good. Cooperatives Working Together (CWT) announced August 6, the acceptance of requests for export assistance to sell 2 million pounds of Cheddar, Gouda and Monterey Jack cheese. The product will be delivered August through January 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 73.5 million pounds. According to the latest NASS report, total cheese production for June in New York was 62.2 million pounds, 3.6% more than May and 11.6% more than June, 2011. Pennsylvania produced 35.1 million pounds in June, 0.4% more than one month earlier and 1.5% more than one year ago. Vermont produced 10.6 million pounds, 15.3% more than last month and 6.6% more than June 2011. The total of all cheese production for June in the Atlantic region was 116.6 million pounds, up 3.3% from May and 7.0% more compared to the same period last year. Atlantic region cheese production accounted for 13.0% of total U.S. production. Total U.S. cheese production in June totaled 896.8 million pounds, 2.1% less than May, but 0.9% more than June 2011. Cumulative 2012 U.S. Cheese production through June was 2.7% greater than comparable 2011 production.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 40# Block	:	2.1075-2.3925
Process 5# Sliced	:	1.8975-2.0175
Muenster	:	2.1275-2.4875
Grade A Swiss Cuts 10 - 14#	:	3.2450-3.5675

MIDWEST

CME cash prices advanced sharply this week, with blocks and barrels pushing past \$1.8000 for the first time since late November last year. Barrels and blocks are each up \$.1125 for the week through Wednesday, with blocks \$1.8500 and barrels \$1.8250. Uncertainty persists as to cheese manufacturing, certainly for the balance of the year. The lingering impact of summer's weather on milk production, specifically the potential for dairy producers selling-out entirely, or at least selling herds, as well as whether sales will be to other farmers or to slaughter, will impact cheese manufacturers. Variables of future milk production and future prices remain concerns. The monthly tether between the CME spot cash market and settling of Class III cheese futures, where CME prices may be more responsive to futures prices than existing supplies of physical cheese, leaves the potential for "a great deal of volatility in spot cash markets". Cheese manufacturers are looking ahead toward fall. Increased demand related to schools opening is expected to

materialize within weeks. A manufacturer observed that historically, "demand for schools is bigger than the decrease related to summer travel". Cheese retail advertising volume reported in the National Dairy Retail Report is up, following three periods of declining volume. Current cheese ad numbers are 20.2% above volume two weeks ago. A cheese marketer comments that cheese advertising moving into the pipeline for the period surrounding Labor Day appears to maintain an "increased volume of advertising". The weighted average advertised price of four of the five cheese package varieties reported increased from two weeks ago. The weighted average advertised price of 8 ounce shredded increased 9.3% to \$2.36; 8 ounce blocks increased 4.5% to \$2.30; 1 pound blocks increased 0.3% to \$3.95; and 2 pound blocks increased 5.0% to \$5.66. Only 1 pound shreds declined, -17.2%, to \$3.41. Leading cheese category ad volume during the current survey period, is 8 ounce shredded cheese, up 3.5% from the last period, when 8 ounce shredded cheese also led all cheese categories. Next highest is 8 ounce block, down 34.3% from volume two weeks ago. The remaining cheese category ads in descending volume are 1 pound block, up 222.8%; 1 pound shredded, up 463.3%; and 2 pound block, up 43.4%. Total national cheese output was 0.9% above June 2011 but 2.1% below May 2012. The Central states' total cheese production during June was 44.8% of national production. Dairy Products (NASS) shows that combined total cheese output of the individually listed Midwest states during this June, increased less above June last year, 0.1%, than the U.S. Total, 0.9%. The Midwest total for June declined slightly more from May this year, -2.4%, than the national -2.1% decline. In the Central region, only Wisconsin has enough plants to be a separately listed state for data concerning production of total Italian Cheese and Mozzarella and that data shows Wisconsin faring better than the nation as a whole in terms of production changes for those varieties. Wisconsin is second nationally only to California in the production of total Italian Cheese, as well as Mozzarella. Yet, production of each has been more positive in Wisconsin, than national averages, as well as California's production changes. Total Italian Cheese production in Wisconsin increased by 2.5% June last year to this June, compared with a -1.0% national decline and a -0.5% decline in California. Mozzarella production in Wisconsin increased 4.3% from June last year to this June, compared with a 0.1% national increase and an increase in California of 1.5%. Cooperatives Working Together (CWT) has accepted seven requests for export assistance to sell two million pounds (907 metric tons) of Cheddar and Monterey Jack cheese for export. The product will be delivered August 2012 through January 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 73.5 million pounds.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.8700-2.5750
Brick And/Or Muenster 5#	:	2.0950-2.6550
Cheddar 40# Block	:	2.0950-3.0800
Monterey Jack 10#	:	2.0650-3.0800
Blue 5#	:	2.3600-3.3450
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9400-3.1800
Grade A Swiss Cuts 6 - 9#	:	2.7650-2.8825

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CHEESE MARKETS

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WEST

Milk supplies are beginning to tighten seasonally as heat has more of an impact on the dairy herds in the region. The solids content on milk receipts is declining at a seasonally expected rate. Everything is being called about normal in the region on the cheese production side at this time. Contacts are concerned how the prolonged drought and the impact on feed and hay supplies will play out going into the winter on milk production. Most are assuming that supplies will be tighter than earlier predictions and are planning accordingly. Block cheese prices are up 15 cents since last week and stand at \$1.85 at midweek. Barrels are also up 15 cents and stand at \$1.8250. Western contacts are somewhat surprised at the rapid increase in prices over the past few trading sessions. Most production plants are pleased with the demand side at this time. Inventories are in a normal operating range. According to the NASS *Dairy Products* report, total cheese production in the U.S. in June reached 896.8 million pounds, up 0.9% or 7.7 million pounds from last year. Cumulative total cheese output for the U.S. through June is 5.4 billion pounds, up 2.7% or 144.6 million pounds from 2011. June total cheese production in the Western region was 378.3 million pounds, down 0.7% or 2.6 million pounds from June 2011. The West produced 42.2% of all the cheese in the U.S. in June. Swiss output for the U.S. in June is 26.0 million pounds, down 8.6% from last year. According to the ERS *Commercial Disappearance* report, disappearance of American cheese for the first five months of the year totals 1,847.2 million pounds, up 1.7% from the same period in 2011. Disappearance of Other cheese totals 2,761.4 million pounds, up 1.4% from last year. The increase is about 98 million pounds or about 4.5 million pounds of additional cheese per week for the first five months of the year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.8025-2.0600
Cheddar 40# Block	:	1.8325-2.1850
Cheddar 10# Cuts	:	2.0125-2.2325
Monterey Jack 10#	:	2.0225-2.1825
Grade A Swiss Cuts 6 - 9#	:	2.8225-3.2525

FOREIGN

The CME Group weekly average block price declined and lowered domestic wholesale cheese prices by 1 cent. Domestic wholesale Swiss cuts increased \$0.0450 coming off the Class III prices, released Wednesday. Prices for imported cheese varieties were unchanged. Swiss cheese imports continue to be at a price advantage compared to their domestic counterpart, which may have contributed to recent declines in domestic Swiss cheese production. According to the latest NASS report, domestic Parmesan production during June totaled 22.6 million pounds, 15.8% less than May and 7.6% less than June 2011. Provolone production during June totaled 29.4 million pounds, 1.1% less than May, but 0.3% more than June 2011. Romano production during June totaled 3.9 million pounds, 10.5% less than May, but 1.7% more than June 2011. Swiss production during June totaled 26.0 million pounds, 8.3% less than May and 8.6% less than June 2011.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.2475-3.7350*
Gorgonzola	: 3.6900-6.3900	: 2.7500-3.0100*
Parmesan (Italy)	: -0-	: 3.3700-3.9250*
Provolone (Italy)	: 3.4400-6.1800	: 2.2900-2.4475*
Romano (Cows Milk)	: -0-	: 3.4375-5.5875*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggianito (Argentine)	: 3.2900-4.1900	: -0-
Jarlsberg-(Brand)	: 2.9500-5.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.3375-3.6600*
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

* = Price change.

U.S. Cheese and Curd Exports, (USDA-FAS)

	2012 Exports		% Change From
	(Million Lb.)		
	Monthly Exports	1 Year Ago	
June	51.8	+ 17	
Cumulative	Jan. - Jun	1 Year Ago	
World	310.3	+ 18	
Mexico	71.8	+ 31	
South Korea	49.8	+ 6	
Japan	33.8	+ 37	
Saudi Arabia	16.8	+ 33	
Australia	14.1	+ 34	

FLUID MILK AND CREAM

EAST

SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA & SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	0	19	0	0
SOUTHEAST STATES	0	0	0	0	0	0

Milk production in the Northeast remains steady with last week. Dairy producers have fared better in New England and upstate New York than other areas in the East with timely rains and better than average forage harvests. Manufacturing milk supplies in the Mid-Atlantic region are declining with growing concerns of having adequate supplies when Class I demand increases as schools begin to open. Cow comfort levels and milk production continue to decline in Florida with daytime temperatures in the 90's and nighttime lows in the 80's. Class I demand has increased significantly as most schools plan to open next Monday. The increase in Class I demand has brought about the end to Florida spot export loads and imports are likely in the not too distant future. Milk supplies in the Southeast are becoming tight as production continues to decline and Class I demand increases. Load weights going into Class I plants have declined, necessitating additional deliveries. Load rejections due to temperature issues continue to be a problem. Cream has become very tight, mostly due to very good demand. Ice cream and cream cheese manufacturers continue to make up the bulk of the cream demand. The limited cream availability has some cream based manufacturers focusing on low-fat product production as a way of extending their cream supplies. Producing low fat products is also a way to bridge the gap to increased standardized cream volumes when schools open for their fall terms. Some butter makers are concerned about future supplies and are picking up additional loads of cream when available. Multiples moved significantly higher and ranged mostly from 150-162. Condensed skim supplies were a little more available this week as one plant conducted maintenance projects. Demand for condensed skim milk remains good with ice cream and cheese manufacturers looking for additional loads. Some balancing plants are withholding noncontract loads of condensed from the spot market to increase volumes going to dryers as they attempt to improve their nonfat dry milk inventories. Production difficulties incurred by a yogurt manufacturer last week have been resolved and production is nearing normal schedules. According to NASS, ice cream production in the Atlantic region for June totaled 15.9 million gallons, 3.6% more than May, but 3.0% less than June 2011. U.S. Yogurt production (plain and flavored) for June totaled 370.6 million pounds, down 0.1% from May, but 0.7% more than for the same period last year. Cumulative 2012 production through June totaled 2,263.7 million pounds, 3.4% higher than through June 2011.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

F.O.B. producing plants: Northeast -	2.4923-2.6916
F.O.B. producing plants: Upper Midwest -	2.3261-2.4923

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.16 - 1.25
Northeast - Class III - spot prices -	1.35 - 1.44

MIDWEST

Milk marketers in the region indicate requests from milk processors to arrange for long term weekly sales for the second half of the year are slow to materialize. Milk processors indicate they are reluctant to send away milk loads at this time as their conversations with some dairy producers show producers are concerned regarding the feasibility of continuing some dairy operations. Some manufacturers report a few dairy operations sold out in the recent past few weeks, cutting into weekly farm milk volumes. Other milk handlers indicate farm milk shipments are steady to marginally higher. This has taken some of the edge off of meeting seasonally increasing supply agreements to fluid markets. A few additional spot loads of milk cleared this week, with F.O.B. prices ranging up to \$2.00 over Class. Cream multiples are mostly steady for the week, although the Grade AA butter weekly average price increased. Various cream buyers forecast cream multiples will ease in the next few weeks as bottlers' orders increase to fill demand from reconvening school systems. Cream sales into Class II edged lower as these manufacturers note camps, municipal leagues and other summer activities with finite seasons will end soon. For some Class II plants, inventories of single serve frozen dessert novelties are reportedly adequate to finish out that part of the sales year. Sales of condensed skim are active into Class III as several sellers indicate the price gap between condensed skim and NDM is negligible, especially when rewetting costs are factored in for use of NDM.

WEST

CALIFORNIA milk production is being impacted by hot weather conditions. Milk volumes are lower, as well as fat and protein levels of the milk. The widespread high temperatures are forecast to be the hottest since 2006. Processing plants are running well and able to handle the reduced milk offerings, despite some plants and equipment being offline for scheduled maintenance. The increases in finished dairy product prices are providing better news for producers and are foretelling higher milk prices. In the current environment of high costs of production because of increasing feed and other costs, the increases in milk prices are welcomed. Other decisions are being made because of financial considerations. Producers are adjusting rations to balance cows' needs against input costs. Culling rates are trending higher as producers adjust herd sizes. ARIZONA is experiencing very hot temperatures that are further impacting the milk output in the milk producing regions of the state. Excessive heat warnings have been extended into the weekend and heat abatement measures are only providing some relief to the milking herds. Processing plants are running on reduced schedules because of the lower milk receipts and increases in Class I demand. Schools are beginning sessions and suppliers are taking more milk. NEW MEXICO milk output is trending lower and milk is being shipped to supplement Class I needs and shortages in other areas. Plants are running on lower schedules. Hay harvesting has moved into the fourth cutting and the crop is good. Hay prices are increasing and dairies are more reluctant to jump in at these levels. CREAM markets are firming as butter prices move higher and multiples and overages are increased. Demand is fair to good for cream offerings in the West. Buyers across a wide end use category field are in the marketplace looking for cream needs. Butter production is often lower as churners sell cream in lieu of making butter to take advantage of current returns. Ice cream

FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

demand is uneven with some producers cutting back on cream needs while others are pulling steady. Other higher class categories are at light, seasonal levels. The CME Grade AA butter price moved 9 cents higher to close at \$1.7350 on Wednesday, August 8. Cream multiples are steady to higher at 118 to 136 and vary depending on basing points and averages. Milk production in coastal areas of the PACIFIC NORTHWEST remains seasonal with very little weather stress noted. Further inland, however, the story is a bit different. Temperatures have been high enough, long enough to stress the milking herd. The stress is about normal seasonally and is bringing down milk supplies and the solids in the milk. Plants are able to efficiently handle the current milk offerings. Feed and hay cost stress is a definite factor in the region. Hay in the region is often being quoted in the \$225-250 range at the production farm. Offerings are also on the light side. Plant systems are looking at the milk production stress that is developing in the rest of the country and are trying to modify their existing product mix plans to better handle the new normal this year. Conditions are also hot and dry in most of IDAHO and UTAH. Range fires are becoming more of a problem due to a number of dry lightning storms crossing the region. Milk is declining at a normal seasonal rate. Offerings of various manufactured products are now off a bit as plants look at the rest of the country and are holding with more confidence any stocks they have on hand for future needs. Very light hay sales in the region are noted ranging from \$180-235 at the farm.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are higher on a firm market. Spot load availability is light to tightening. Various manufacturers report that regular customers who put off arranging for Q3 – Q4 coverage are now in the market on a weekly basis looking for near to mid-term NDM loads. Some NDM resellers indicate manufacturers are limiting spot sale quantities to assure coverage of contract customers desiring additional loads. A few manufacturers also are trying to buy back previously committed NDM to help meet current contract demand. Nonfat dry milk resale activity is on the rise as brokers/traders seek out additional NDM spot loads to satisfy immediate customer needs. Comments indicate, too, that some customers feel they missed buying opportunities in the recent past when prices were lower. The fast recovery of prices in the NDM market caught some market participants off guard in that there were general expectations of a gradual uptick in prices through Q3. Market participants are not united in predicting the market will remain firm for the remainder of the year. Participants note that some portion of U.S. NDM production must clear into export markets to keep U.S. prices trending on a firm path, and U.S. NDM prices are currently slightly above world market prices. Low heat NDM production is steady to higher for the week as on-farm milk production recovers from the recent week of heat and humidity. The July 2012 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.2377 compared to \$1.1973 one month ago and \$1.6563 in July 2011. The July 2012 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.3383 compared to \$1.2676 one month ago and \$1.7535 in July 2011.

EAST: Nonfat dry milk prices moved higher this week with spot sales significantly increasing the upper end of the ranges for both low heat and high heat. Condensed skim milk volumes going to dryers declined this week due to a combination of declining milk production and an increase in demand from yogurt and ice cream manufacturers. Limited drying schedules offered some plant managers the opportunity to focus on high heat nonfat dry milk production. Supplies have become very tight in the East with product moving through contracts and little spot market activity. Manufacturers are concerned about future milk supplies and limiting their spot market opportunities to ensure their contracts are covered. Demand remains good as end users are attempting to pull additional volumes through their contracts. Buyers wanting to secure additional loads have to go out of region and/or look to resale opportunities. The market undertone remains firm.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2700 - 1.5000 MOSTLY: 1.3150 - 1.4200
 HIGH HEAT: 1.3200 - 1.6000

U.S. NDM Exports, H.S. Code 0402100000 (FAS)

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
June Total	86.3	+ 3
TOTAL, JAN - JUNE	532.8	+ 11
1 Mexico	219.5	+ 32
2 Philippines	53.7	- 11
3 Indonesia	44.0	- 26
4 Vietnam	39.4	- 40
5 China	23.7	+ 75

NONFAT DRY MILK - WEST

Prices continue to trend higher for Western low/medium heat nonfat dry milk. The market tone remains firm. Offering volumes are light into the spot market. Contracted volume loads are mostly being filled on schedule. Export shipments are moving to fill orders on the books. New interest is uneven and price sensitive when compared to lower priced offerings from other world suppliers. Some domestic accounts are looking for additional NDM for coverage and to supplement milk shortages. Regional production schedules are trending lower with weather conditions becoming hotter and affecting milk production across wider areas. Some processors have dryers down for scheduled maintenance, placing condensed skim on the market. Additional milk is moving towards Class 1/I sales as demand is improving from accounts which supply schools and colleges as sessions open. Higher cheese prices are projected to keep milk supplies moving into cheese plants. The net result would limit NDM production in the near term. Prices for index-based terms are trending upwards by approximately 1.5 cents this week. Resale offerings are light at pricing levels near the top of the range being asked. Stock levels are light to moderate and generally at or near comfortable working levels. Western high heat prices also are trending higher and the market tone remains firm. Drying schedules are light and sporadic. Shipments are light and mainly to service accounts with contracted volumes. Producers' holdings are light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1700 - 1.4200 MOSTLY: 1.2300 - 1.3500
 HIGH HEAT: 1.2100 - 1.3800

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are unchanged to higher on a firm market. Various resellers note dry buttermilk is scarce on a spot market basis. Manufacturers indicate some contract buyers increased weekly/monthly load volumes for August, which decreases spot market loads from week to week as contract loads ship out. Butter production is ongoing as various manufacturers work toward fulfilling near term orders as well as build inventory for fall butter orders. Dry buttermilk production is steady. The July 2012 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.1279 compared to \$1.0411 one month ago and \$1.5625 in July 2011.

EAST: Dry buttermilk prices increased on the low end of the range this week as prices based on indices moved higher. Increased cream demand has tightened cream supplies and limited butter and dry buttermilk production. Supplies are moving through contracts with little being added to inventories. Demand is good with strong pulls from ice cream manufacturers and improved interest from baking product manufacturers. Spot sales activity is very light as manufacturers conserve current supplies to ensure contract coverage and to take advantage of possible future price increases. The market undertone remains firm, supported by price increases in the nonfat dry milk market.

F.O.B. CENTRAL/EAST: 1.2425 - 1.3000

CONTINUED ON PAGE 5A

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

CONTINUED FROM PAGE 5**DRY BUTTERMILK - WEST**

Western dry buttermilk prices continue to trend higher in light market trading. The market undertone remains firm. Buying interest is fair for the current light offerings. Producers are offering only limited amounts of product into the spot market with most content to hold product for future customer needs. Bakery account demand is expected to build in the near future. Demand into ice cream accounts is slowing. Production schedules are trending lower with butter churning declining. Milk and fat tests are trending lower across the region and additional sales of cream are being made. Producers' holdings are light to moderate.

F.O.B. WEST: 1.1300 - 1.2500 MOSTLY: 1.1600 - 1.1900

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are higher as contract pricing moved, following the trends of butterfat and nonfat skim prices. Spot market activity is light as manufacturers' inventories beyond contract commitments are tight. The July 2012 Dairy Market News average of the range price series for dry whole milk was \$1.4550 compared to \$1.4400 one month ago and \$1.9610 in July 2011.

F.O.B. PRODUCING PLANT: 1.4700 - 1.5500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 3	\$1.1844	5,754,520	0
July 27	\$1.1679	6,948,585	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

WHEY, WPC 34%, LACTOSE & CASEIN

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Edible dry whey prices in the Central region moved higher on both the range and mostly price series. The market tone is firming. Dry whey availability is variable. A few brokers indicate manufacturers' requested release of recent contract loads or cancelled delivery of contract loads as milk supplies for the near term are uncertain. Spot loads offered to the resale community are light. Conversely, a few end users report F.O.B. offers of spot dry whey loads increased this week. With the direct offers to end users, manufacturers may expect few of those spot loads to reenter the market and provide direct brand and price competition in the near future as manufacturers' realign dry whey inventories. The July 2012 Dairy Market News average of the mostly price series for Central dry whey was \$0.4895 compared to \$0.4769 one month ago and \$0.5310 in July 2011. ANIMAL FEED DRY WHEY availability is steady into feed blending operations. Interest is steady, but some blenders note the improved availability of delactosed whey and other dairy derivatives are offering blenders options to help control end product expenses. Demand for milk replacer into the veal, beef, or dairy market sectors is steady to higher, with requests for special formulations increasing. The July 2012 Dairy Market News average of the range price series for ANIMAL FEED Central milk replacer dry whey was \$0.4208 compared to \$0.4202 one month ago and \$0.4739 in June 2011.

F.O.B. CENTRAL: .4700 - .5600 MOSTLY: .4800 - .5450
 F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3700 - .5050

DRY WHEY - NORTHEAST

Dry whey prices moved higher for the fifth consecutive week. This week's advance was due to increases in prices based on indices. Spot sales were noticeably absent from trading this week as most manufacturers are holding on to any excess supplies to either ensure contract coverage or to wait for possible future price increases. Some cheese plants have seen declines in their milk supply, lowering their cheese and dry whey production. Current production is moving through contracts with contract buyers requesting increased volumes as per their agreements. Demand continues to be very good with strong pulls from ice cream manufacturers. Buyers looking for additional loads have to look outside the region and/or for resale opportunities. Limited resale prices have been at or near the upper end of the range. The market undertone remains firm. The July 2012 Dairy Market News average of the price series for Northeast region dry whey was \$0.5279 compared to \$0.5188 one month ago and \$0.5559 in July 2011.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5400 - .5600

U.S. Dry Whey Exports, H.S. Code 0404104000(FAS)
 2012 Exports % Change From
 (Million Lb.) 1 Year Ago

June Total	42.0	- 8
TOTAL, JAN - JUNE	258.0	- 4
1 China	55.8	+ 8
2 Mexico	36.1	+ 8
3 Canada	23.9	+ 1
4 Japan	19.7	- 1
5 Indonesia	17.2	- 25

DRY WHEY - WEST

Prices moved sharply higher on both the range and mostly for Western whey. Demand is turning more aggressive as buyers attempt to increase coverage for future needs and to cover current demand. Offerings are declining as milk begins to decline more rapidly in the Western region. The first major heat is common over much of the region with some temperatures in parts of California forecast to be the hottest since 2006. Temperatures of well over 100 degrees are common over eastern areas of the Pacific Northwest and into Utah and Idaho. Any stocks that producers are holding are held with more confidence. There is a very firm undertone to the Western market.

NONHYGROSCOPIC: .5125 - .5600 MOSTLY: .5200 - .5500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% are unchanged on the mostly price range, but the range price series narrowed. The market tone is mixed. A few manufacturers indicate some spot buyers are opting for contracts in the near term as a way to assure supply. Also, some snack and confectionary manufacturers returned to their approved WPC 34% suppliers seeking additional loads this week to meet increasing end product manufacturing schedules in the next few weeks. However, resellers indicate interest from their regular customers is limited to contract commitments. Some attempts at pushback to resellers were noted, but loads were delivered as scheduled. Fresh WPC 34% spot offers to the resale community are reportedly limited. Manufacturers' and resellers' sales activity of extra grade WPC 34% into the feed sector remains slow as quantities of marginally off specification WPC 34% are available to fill needs in that market. The July 2012 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.1401 compared to \$1.1977 one month ago and \$1.5650 in July 2011.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.0700 - 1.2750 MOSTLY: 1.0900-1.1525

U.S. WPC ≤ 80% Exports, H.S. Code 0404100500(FAS)
 2012 Exports % Change From
 (Million Lb.) 1 Year Ago

June Total	26.0	+ 50
TOTAL, JAN - JUNE	114.9	+ 4
1 China	42.5	+ 5
2 Canada	15.3	- 13
3 Mexico	10.8	- 42
4 Japan	7.5	- 12
5 South Korea	5.3	+ 204

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

CONTINUED FROM PAGE 6**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged for the week on a steady market. Various plant operators indicate farm milk intakes regained some volumes this week in response to cooler weather in many areas. Cheese and lactose production increased at those plants. Interest in lactose is steady to higher, with buyers/end users linking anticipated higher 2012 Q4 and 2013 Q1 dairy feed input costs to an eventual decrease in cheese and lactose production. Some manufacturers report inquiries continue to flow in from domestic and international customers, with confectionary interests continuing to acquire lactose loads beyond contracted quantities. The July 2012 Dairy Market News average of the mostly price series for Central and West lactose was \$0.8383 compared to \$0.8783 one month ago and \$0.5540 in July 2011.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .7500 - .9500 MOSTLY: .7800-.8700

U.S. Lactose Exports, H.S. Code 1702110000(FAS)

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
June Total	29.0	- 23
TOTAL, JAN - JUNE	178.9	- 19
1 China	39.5	+ 3
2 New Zealand	27.9	- 27
3 Mexico	25.2	- 3
4 Japan	12.9	- 32
5 Brazil	9.1	- 25

CASEIN - NATIONAL

Casein markets and prices are generally holding steady, although the market undertone is unsettled. Some U.S. buyers continue to question suppliers, especially European suppliers, about their end of the season production outlook. In recent weeks, very wet conditions in some areas of Europe are causing milk volumes to decline sharply and remaining milk volumes are being redirected to products of best return or most need. In instances, milk is being taken away from casein output and directed to other products. This situation is challenging some casein suppliers to realign their commitments to U.S. buyers. U.S. casein buyers are fully dependent on imports for their casein needs and are now very concerned about supply availability during the upcoming months. Most domestic casein buyers do not limit their sources to European suppliers, but often procure a significant portion of their needs from this region and now question where and if they will be able to secure spot offerings that will met their needs and requirements. The Oceania milk and casein production is soon to resume, thus casein volumes from this region are basically fully committed from last season and new production is yet to arrive.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B.,
U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY
ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.7500 - 4.4000
ACID: 4.1500 - 4.7000

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound; **CHEESE** 40# Blocks \$1.13 per pound; 500# Barrels \$1.10; **NONFAT DRY MILK** \$.80 per pound

The CCC Purchase table will no longer be shown unless purchases occur. Last CCC purchase: October 2009.

U.S. Dairy Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2011

WEEK ENDING	WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS	2011 WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS
07/21/2012	60.3	1,685.4	49.3	1,613.1

WEBSITE: http://www.ams.usda.gov/mnreports/sj_ls714.txt

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83
2011	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03	19.07	18.77

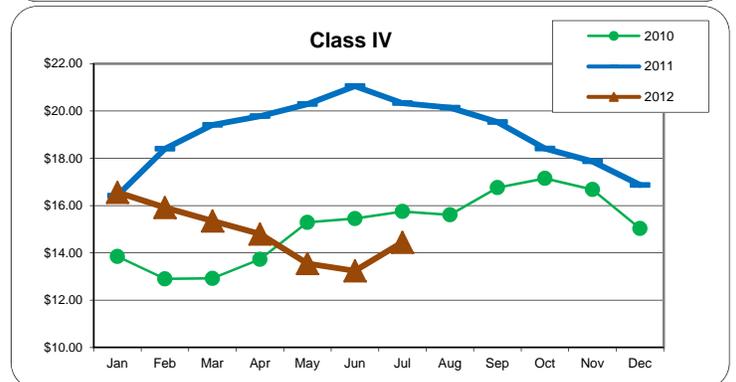
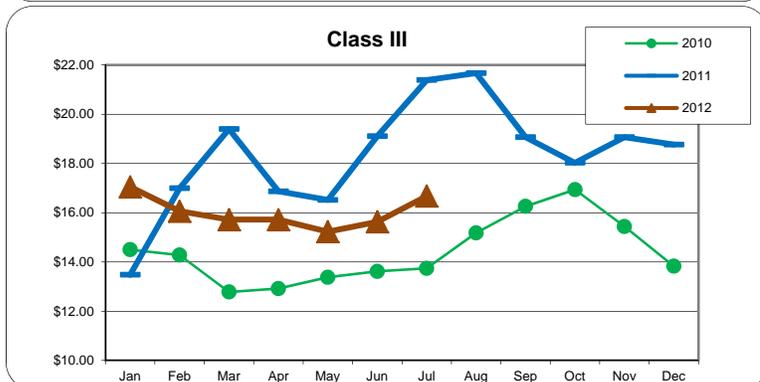
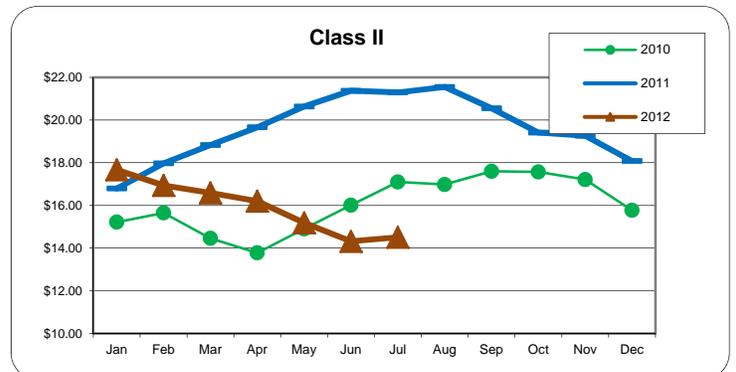
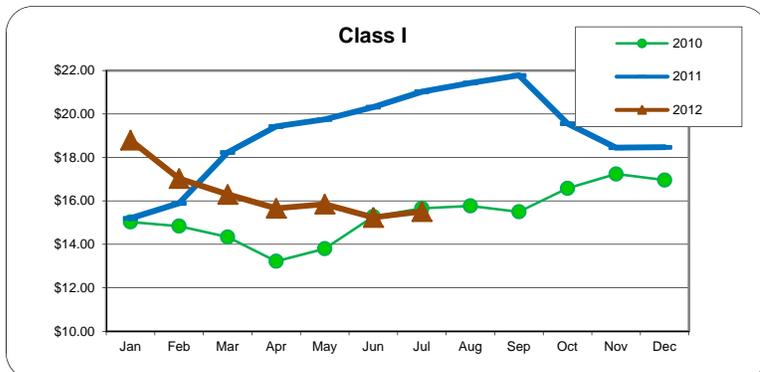
CLASS IV MILK PRICES (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87	16.87

FEDERAL MILK ORDER CLASS PRICES FOR 2012 (3.5%)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	18.80	17.03	16.30	15.66	15.85	15.24	15.51					
II	17.67	16.94	16.59	16.20	15.19	14.32	14.51					
III	17.05	16.06	15.72	15.72	15.23	15.63	16.68					
IV	16.56	15.92	15.35	14.80	13.55	13.24	14.45					

1/ Specific order differentials to be added to this base price can be found by going to: www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."



ORGANIC DAIRY MARKET NEWS

Information gathered July 30 - August 10, 2012

ORGANIC DAIRY FLUID OVERVIEW

In the real world of organic dairy, times are good and times are bad. As reported elsewhere in this article, retailers are committing dollars for retail advertising of organic milk at near record volume levels. Some processors continue to be inventive in marketing milk into densely populated urban areas, increasing sales.

For example, an organic brand in New York state, which ties its identity to New York produced organic milk and also sells other organic food products, has partnered to develop a website which allows high end restaurants in New York City to order organic and/or relatively local food online, rather than the chef making daily trips to farmers markets and food terminals to select the best fresh food ingredients. Delivery is made the same or the next day. Sales are increasing steeply. This is a win win, in both making new sales inroads, allowing organic farmers to spend more time farming by relieving them of time spent marketing or at farmers markets selling directly to consumers and selective high end chefs.

A national dairy this week announced a spin-off of its organic division in an initial public stock offering and investors responded favorably by driving the price of the firm up. This is viewed as a favorable verdict by the "stock market".

A major supermarket chain has launched sales of a store brand of organic ice cream in the Southeast. Consumers have responded favorably and sales are described as "very good".

The bad times are still not quantified, but relate to this summer's weather. There are pockets of the country where organic dairy farmers have had generally good weather and moisture. Upstate New York and New England have areas of good forages, where there have already been three cuttings of hay. Yet, far more geographic area has suffered. There is more hay moving longer distances than would be normal, at higher prices, such as from the west to some of the Midwest. Organic dairy farmers are having margins squeezed as feed prices increase. There are reports of organic grain being sold at prices near \$1,000 a ton, even in New England.

Of concern now, is where organic grain prices will settle once the year's crop harvest is completed. Sometimes forgotten is that organic grain prices showed upward movement before this summer's heat and drought. Coupled with the effects of this summer, it is uncertain where the upward movement will lead. A Northeast organic dairy leader commented that "there is no question that organic feed pricing has got to go up, the only question is the degree". The next month or so will yield information as to the final results of this year's organic crops. Few are optimistic. A prevailing view is "everyone knows bad is coming, but how bad is the question".

The big question for this fall will be whether organic milk prices paid to farmers will increase enough to deter some of the potential exodus from organic dairy farming that ever higher feed prices may generate. Many organic dairy farmers are watching their revenue margins erode as costs of production increase. Many regional and state based organic dairy processors are awaiting signals from the national dairy firms as to whether and how much prices paid to farmers are increased, before acting themselves. Right now, there are many "raw nerves" as many in the organic dairy industry await possible events of coming months.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON

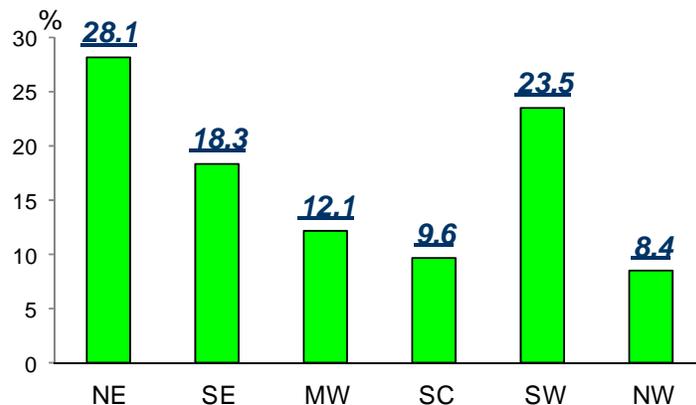
Organic Dairy Overview. Organic dairy advertising volume remained strong following last period's record setting levels of overall organic dairy ads, organic milk ads and organic half gallon milk ads. This period's organic retail ad numbers are the third highest of any period since this data series began during fall 2009. Organic milk and organic half gallon ads are the second highest level since fall 2009.

Organic milk ads comprise 73% of all organic dairy ads this period, followed by organic yogurt with 27%.

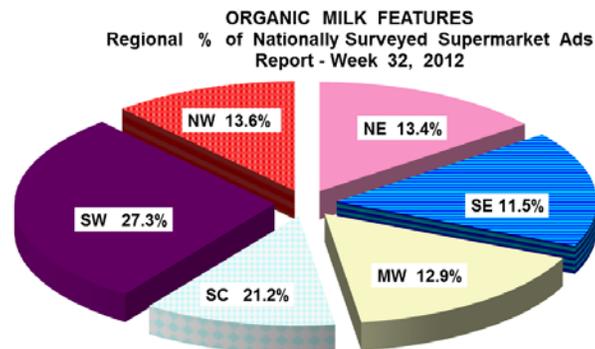
Advertising information presented is compiled from nearly 16,000 surveyed newspaper supermarket ads for the period July 28, 2012, to August 10, 2012, identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of non-advertised supermarket cooler prices.

Regional Organic Dairy Ad Trends – Current Period. The Northeast leads all regions in organic dairy advertising with 28.1% of all organic ads. The other regions include the Southwest, 23.5%; the Southeast, 18.3%; the Midwest, 12.1%; the South Central Region, 9.6%; and the Northwest, 8.4%.

Organic Dairy Ads Regionally As A Percentage of Surveyed Organic Dairy Ads Week 32, 2012



Organic Milk. Organic milk ads comprise nearly three of every four organic dairy ads. The highest percentage of organic milk ads appear in the Southwest, 27.3%. Other regions include the South Central, 21.2%; Northwest, 13.6%; Northeast, 13.4%; Midwest, 12.9%; and Southeast, 11.5%.



ORGANIC DAIRY MARKET NEWS

Information gathered July 30 - August 10, 2012

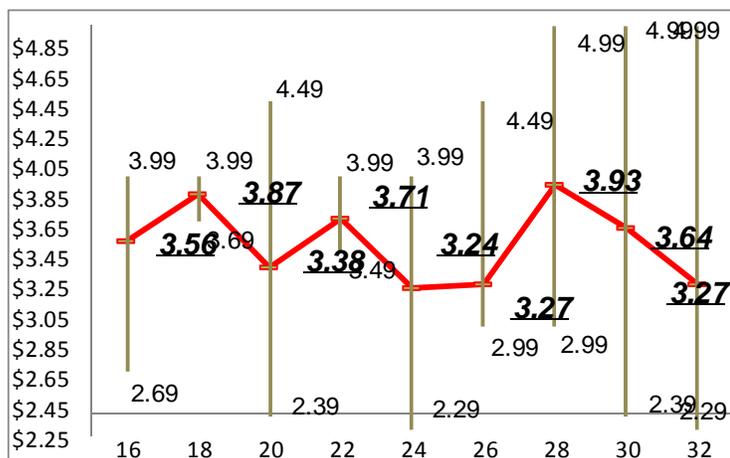
CONTINUED FROM PAGE 8

Over four times as many ads for organic half gallons than conventional milk half gallons are reported in this period's National Dairy Retail Report, even though there are over ten times as many total conventional dairy ads than organic dairy ads.

The near record setting volume of ads for organic half gallons continues the advertising focus of three national supermarket chains each advertising their respective store brands of organic half gallons.

Organic Milk Half Gallons. The national weighted average advertised price of organic milk half gallons, \$3.27, is 37 cents lower than two weeks ago. The price range is \$4.99 to \$2.29, unchanged at the top but 10 cents lower at the bottom. This price spread is the greatest for organic half gallons by 10 cents since this data series began during fall 2009.

Advertised Organic Milk Half Gallon Price Range and Weighted Average Advertised Price by 2012 Week



ORGANIC MILK HALF GALLON ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	04.8	4.07
SE	10.2	2.96
MW	19.5	3.24
SC	14.6	3.12
SW	36.3	3.46
NW	14.6	2.94
US		3.27

The AMS Dairy Market News Survey which generated the current national organic half gallon milk weighted average advertised price of \$3.27, also determined the weighted average advertised price for non-organic half gallons as \$2.28, an organic-conventional half-gallon milk advertised price spread of \$0.99, down from \$1.83 two weeks ago and \$0.35 above the average for the year to date. During 2012 the spread has ranged from \$0.78 to \$2.46.

Organic Milk 8 Ounce. Ads for 8 ounce containers of organic milk listed a price ranging from \$1.00 to \$1.25. This is the first reporting period of the year when the price has been other than \$1.00.

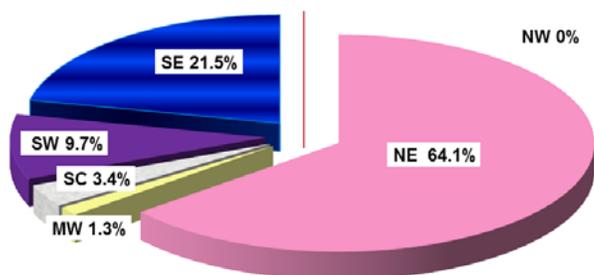
ORGANIC MILK 8 OUNCE ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	50.0	1.03
SE	42.6	1.00
MW	03.4	1.00
SC	04.0	1.00
SW	00.0	----
NW	00.0	----
US		1.01

Organic Yogurt. Total organic yogurt ad numbers increased 27.9% after increasing by 217% two weeks ago. The leading organic yogurt category is 4-6 ounce organic yogurt, followed distantly by 4-6 ounce organic Greek yogurt, with a small number of ads for 32 ounce organic yogurt ads.

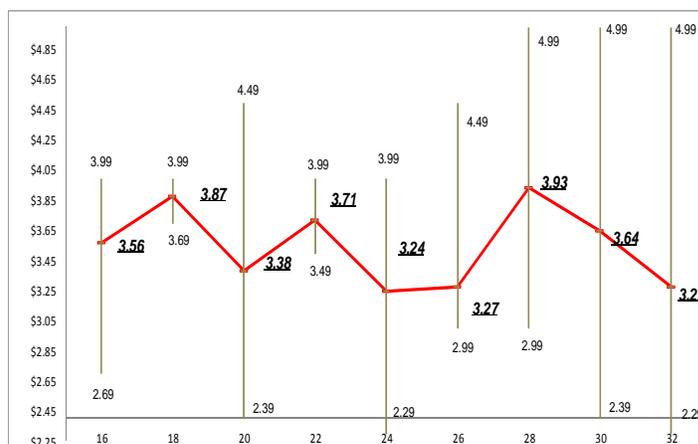
The Northeast led all regions in total organic yogurt advertising, which has been the case during all but two of sixteen periods of 2012. Regional percentages of organic yogurt ads this period include the Northeast, 64.1%; Southeast, 21.5%; Southwest, 9.7%; South Central, 3.4%; and Midwest, 1.3%. No organic yogurt ads appeared in the Northwest.

ORGANIC YOGURT FEATURES Regional % of Surveyed National Newspaper Ads Report Week 32, 2012



4-6 Ounce Organic Yogurt. Ads for 4-6 ounce organic yogurt yielded a weighted average advertised price of 63 cents, up 4 cents, from two weeks ago. The top of the price range, 79 cents, is 19 cents higher than two weeks ago and the range low price, 57 cents, is 7 cents higher. Nearly five times as many ads are for national brands than store brands.

Advertised 4-6 Oz. Organic Yogurt Price Range and Weighted Average Advertised Price by 2012 Week



CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered July 30 - August 10, 2012

CONTINUED FROM PAGE 8-A

4-6 OUNCE ORGANIC YOGURT ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE			LOW	HIGH	RANGE
REGION	%	WTD. AV. ADV. PRICE \$			
NE	71.6	0.65			
SE	15.0	0.57			
MW	00.0	----			
SC	04.8	0.60			
SW	08.7	0.60			
NW	00.0	----			
US		0.63			
FLAVMILK - half gallon					
All fat tests			3.09	5.69	2.60
YOGURT					
Yogurt - 4-6 oz					
Yogurt			0.79	1.29	0.50
CHEESE					
Cheese - 8 oz block					
Mozzarella			3.40	5.75	2.35
Mild Cheddar			3.79	5.99	2.20
Monterey Jack			3.79	5.99	2.20
Pepper Jack			3.89	5.99	2.10
Cheese - 6 oz string					
Mozzarella			3.99	5.09	1.10
Colby Jack			3.89	4.99	1.10
BUTTER					
Butter - 1 Pound			3.99	6.19	2.20

4-6 Ounce Organic Greek Yogurt. Ads for 4-6 ounce organic Greek yogurt appeared in half of the regions, the Northeast, the Southeast and the Midwest. The current weighted average advertised price, \$1.25, is 11 cents above two weeks ago. Prices range from \$1.25 for national brands, to \$1.19 for store brands. Virtually all ads are for national brands.

**4-6 OUNCE ORGANIC GREEK YOGURT ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE**

REGION	%	WTD. AV. ADV. PRICE \$
NE	37.0	1.25
SE	56.2	1.25
MW	06.8	1.19
SC	00.0	----
SW	00.0	----
NW	00.0	----
US		1.25

SUPERMARKET PRICE COMPARISON:

Madison, Wisconsin Prices. Non-advertised organic milk, yogurt, butter and cheese prices in a range of food stores in Madison, Wisconsin are compared for this two week period. Madison stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market; and 2 natural food stores; a national discount big box chain store also selling food; and a large local cooperative grocery store. Organic milk available in Madison stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheese makers.

A table summarizing the survey results follows:

**ORGANIC MILK, YOGURT, CHEESE, BUTTER PRICE RANGE
2012 REPORTING WEEK 32**

	MADISON, WISCONSIN		
	LOW	HIGH	RANGE
	(in Dollars)		
FLUID MILK			
MILK - gallon			
Whole	5.49	6.79	1.70
Nonfat (Skim)	5.49	6.79	1.70
Low fat (1%)	5.49	6.79	1.70
Reduced fat (2%)	5.49	6.79	1.70
MILK - half gallon			
Whole	3.59*	4.49	1.14*
Nonfat (Skim)	3.59*	4.49	1.14*
Reduced fat (2%)	3.59*	4.49	1.14*
Low fat (1%)	3.59*	4.49	1.14*

* = Price change from prior reporting period.

ORGANIC GRAIN AND FEEDSTUFFS MARKETS:

National organic grain and feedstuffs are mostly higher. Prices for corn and soybeans continue to reach historical heights in the wake of an unstable economy and extremely tight supplies, which is prompting some farmers to sell hogs and dairy cows and others to strongly consider returning to conventional livestock production due to feed costs and local availability. Some buyers of organic grain have reported continued concern over astronomical corn and bean prices, which wheat experienced in 2008 and was followed by considerable marketing damage in the following years. Yields of corn and beans are not being estimated at this time for new crop, however, organic corn production in much of the Midwest and Eastern Cornbelt was struck with dire drought conditions, leaving many with the assumption that this year's harvest will continue the current trend of tight supplies and limited availability. Offerings of grain this period are light, with much corn and bean movement consisting of partial loads. Additional livestock and grain market news information is available at: <http://www.ams.usda.gov/mnreports/lbfnof.pdf>

CORRECTED MAY FLUID MILK SALES

During May, 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.0 percent lower than May 2011. After adjusting for calendar composition, sales in May 2012 were 2.3 percent lower than May 2011. Estimated sales of total conventional fluid milk products decreased 0.8 percent from May 2011 and estimated sales of total organic fluid milk products decreased 7.1 percent from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYeartoDate>.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
MAY 2012, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Whole Milk	1,109	5,551	-1.2	-2.5
Flavored Whole Milk	41	204	-6.3	-7.8
Reduced Fat Milk (2%)	1,465	7,390	-1.0	-2.4
Low Fat Milk (1%)	612	3,072	3.4	3.0
Fat-Free Milk (Skim)	611	3,117	-4.6	-4.7
Flavored Fat-Reduced Milk	340	1,784	-4.4	-2.2
Buttermilk	39	197	3.7	0.7
Total Conventional Milk Products 5/	4,221	21,333	-0.8	-1.9
Organic Whole Milk	46	224	10.6	9.3
Organic Reduced Fat Milk	52	265	8.4	9.8
Organic Low Fat Milk	38	193	2.8	13.4
Organic Fat-Free Milk (Skim)	38	186	-2.6	-4.3
Organic Flavored Milk	6	30	-5.4	-32.6
Organic Fat-Reduced Milk 3/	135	678	-11.9	0.6
Total Organic Milk Products	181	903	-7.1	2.6
Total Fluid Milk Products 4/	4,401	22,235	-1.0	-1.8
Total Fluid Milk Products Adjusted 4/ 5/	4,392	22,123	-2.3	-2.5

1/ **Note: Figures in bold print are revisions.** These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; 3/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous milk products combined. 4/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 5/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272> Report contact: Daniel Manzoni, Daniel.manzoni@ams.usda.gov or 202-720-2352

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, MAY 2012, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Northeast (001)	762	3,774	0.6	-1.0
Appalachian (005)	291	1,470	-2.1	-2.1
Southeast (007)	390	2,004	-2.6	-3.0
Florida (006)	233	1,226	-1.6	-1.1
Mideast (033)	484	2,466	-2.4	-2.5
Upper Midwest (030)	345	1,739	-0.9	-3.1
Central (032)	369	1,895	0.2	-0.6
Southwest (126)	377	1,879	1.7	-0.5
Arizona (131)	94	490	-1.6	-1.9
Pacific Northwest (124)	187	921	0.4	-0.9
California (---)	516	2,591	-3.2	-2.5

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 5/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis.

Source: U.S. Department of Agriculture. California Department of Food and Agriculture. Milk Stabilization Branch. *California Dairy Information Bulletin*, May 2012.

WORLD DAIRY SITUATION AND OUTLOOK*Dairy: World Markets and Trade, USDA, Foreign Agricultural Service, July 2012*

Summary- Following a two-year period of relatively strong international prices dairy farmers in the major exporting countries (U.S., EU-27, Australia, and New Zealand) responded by rapidly increasing milk output. Weather conditions in Oceania also played a role as conditions were ideal for pasture growth and the abundant rainfall replenished depleted water supplies. Consequently, milk production among the major exporters, jumped by over 2 percent in 2011 and is forecast to expand by a similar amount in 2012. This follows a four year period between 2007 and 2010 when average milk output among these countries grew by a modest 1 percent annually.

This growth has translated into a sharp increase in exportable supplies which has been a factor in pressuring prices downward during the first half of this year. In addition, import demand particularly from some key importers in the Asian and North Africa region has been lackluster. Algeria, for example, a major purchaser of milk powder is forecast to decrease its 2012 imports of milk powder by 13 percent to 285,000 tons. Nevertheless, dairy markets appear to have attained a degree of balance. International prices have stabilized albeit at relatively low levels and the probability that prices will show further significant declines seems less likely.

A key element affecting the outlook for the balance of the year is likely to be influenced by weather events. In the United States, drought is seriously affecting the major corn growing regions and the monthly milk feed ratio – a measure of dairy profitability – stood at its lowest levels since the early 1980's. Dairy farmers are being squeezed by relatively low milk prices and rising feed prices. This has traditionally signaled a contractionary period and U.S. milk production for 2013 is currently forecast to register only minimal growth. Perhaps in anticipation, domestic prices have been demonstrating some strength. On the Chicago Mercantile Exchange, butter and cheese prices from mid-May to date have increased by 19 percent and 12 percent, respectively, while prices for nonfat dry milk on the West coast have increased by over 9 percent to reach \$2,500 per ton.

In Oceania, the beneficial effects of the “La Niña” weather pattern may be coming to an end. Recent weather predictions suggest that there are early but as yet inconclusive signs of a shift to an “El Niño” weather pattern towards the end of 2012. If realized, this would likely result in drier weather conditions which could impact on Australian dairy production.

Another factor will be import demand. As noted earlier, the picture is mixed; however, some major purchasers such as China are on track to import significant volumes. Despite a slowdown in the growth of imports of WMP, imports of SMP are forecast to jump sharply by 65 percent in 2012. Domestic consumption is expected to remain fairly robust driven by continued urbanization and economic growth. Further, there is a continued lack of confidence in the integrity of the dairy supply chain. Consequently, China's overall imports of milk powder for 2012 are anticipated to grow by an impressive 14 percent to reach 512,000 tons.

SOURCE: U.S. Department of Agriculture. Foreign Agricultural Service. *Dairy: World Markets and Trade, July 2012.*

JUNE FLUID MILK SALES

During June, 4.1 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.3 percent lower than June 2011. After adjusting for calendar composition, sales in June 2012 were 0.8 percent lower than June 2011. Estimated sales of total conventional fluid milk products decreased 0.5 percent from June 2011 and estimated sales of total organic fluid milk products increased 3.9 percent from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYearToDate>.

**ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
JUNE 2012, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/	
	June	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Whole Milk	1,106	6,657	0.1	-2.1
Flavored Whole Milk	39	243	-5.6	-7.4
Reduced Fat Milk (2%)	1,468	8,858	0.6	-1.9
Low Fat Milk (1%)	538	3,611	2.3	2.9
Fat-Free Milk (Skim)	579	3,696	-5.1	-4.8
Flavored Fat-Reduced Milk	165	1,949	-4.1	-2.4
Buttermilk	38	234	0.3	0.7
Total Conventional Milk Products 5/	3,936	25,268	-0.5	-1.7
Organic Whole Milk	43	268	10.2	9.4
Organic Reduced Fat Milk	50	315	8.8	9.6
Organic Low Fat Milk	35	229	2.4	11.6
Organic Fat-Free Milk (Skim)	35	221	-5.8	-4.5
Organic Flavored Milk	6	36	-2.9	-29.3
Organic Fat-Reduced Milk 3/	126	805	1.9	0.8
Total Organic Milk Products	170	1,072	3.9	2.8
Total Fluid Milk Products 4/	4,106	26,341	-0.3	-1.5
Total Fluid Milk Products Adjusted 4/ 5/	4,073	26,196	-0.8	-2.2

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; 3/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous milk products combined. 4/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 5/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272> Report contact: Daniel Manzoni, Daniel.manzoni@ams.usda.gov or 202-720-2352

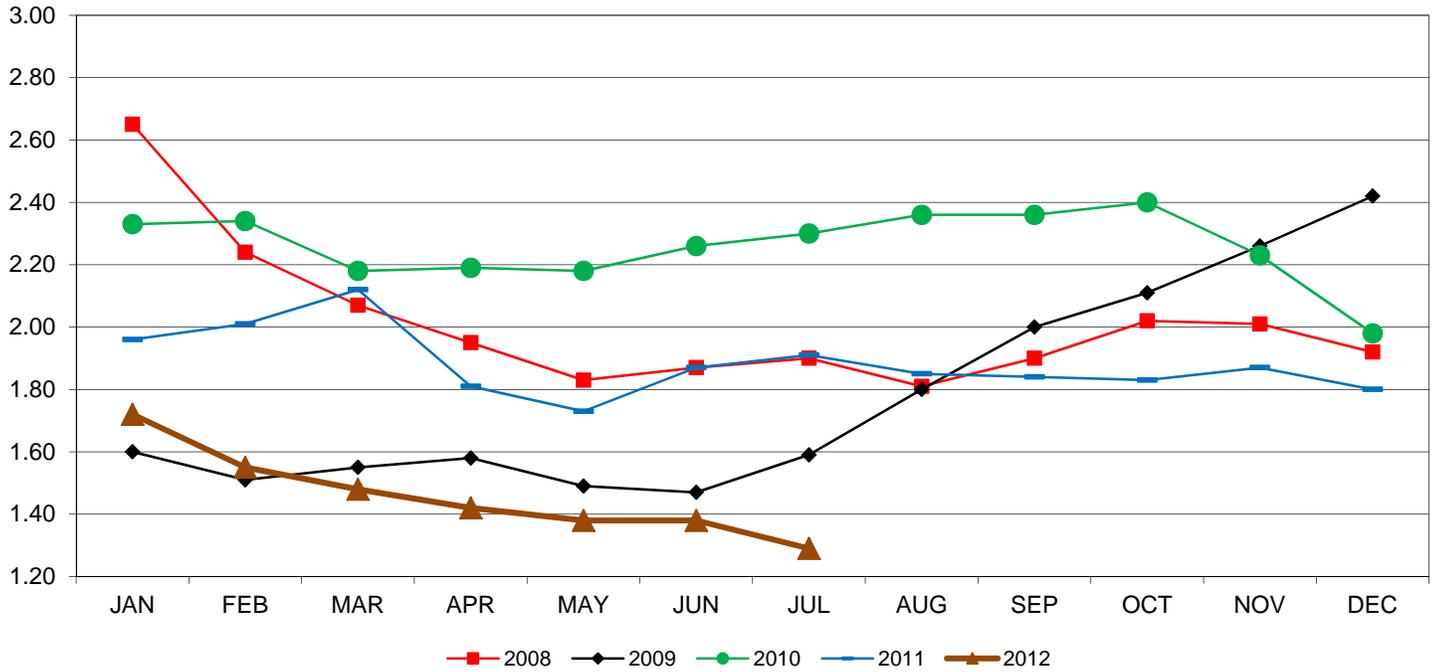
**PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, JUNE 2012, WITH COMPARISONS 1/**

Area (Order Number)	Sales		Change from: 2/	
	June	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Northeast (001)	724	4,498	1.6	-0.6
Appalachian (005)	273	1,743	-0.2	-1.8
Southeast (007)	366	2,370	-1.3	-2.7
Florida (006)	220	1,445	-1.6	-1.1
Mideast (033)	447	2,913	-0.3	-2.1
Upper Midwest (030)	319	2,058	-1.5	-2.9
Central (032)	345	2,240	1.8	-0.2
Southwest (126)	335	2,215	-0.8	-0.5
Arizona (131)	88	579	1.0	-1.5
Pacific Northwest (124)	177	1,097	1.8	-0.5
California (---)	484	3,075	-3.0	-2.6

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 5/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis.

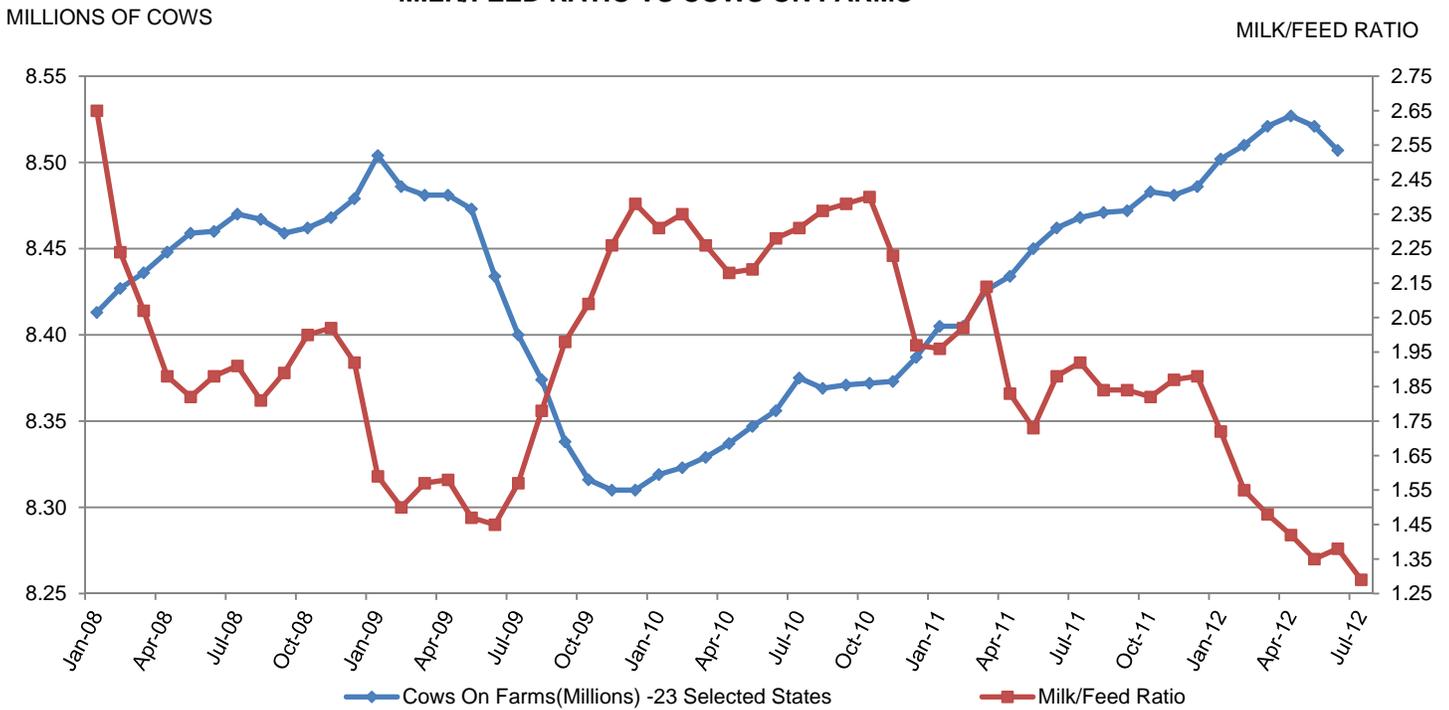
Source: U.S. Department of Agriculture. California Department of Food and Agriculture. Milk Stabilization Branch. *California Dairy Information Bulletin*, June 2012.

MILK-FEED PRICE RATIO BASED ON THE POUNDS OF 16% MIXED DAIRY FEED EQUAL IN VALUE TO 1 POUND OF WHOLE MILK



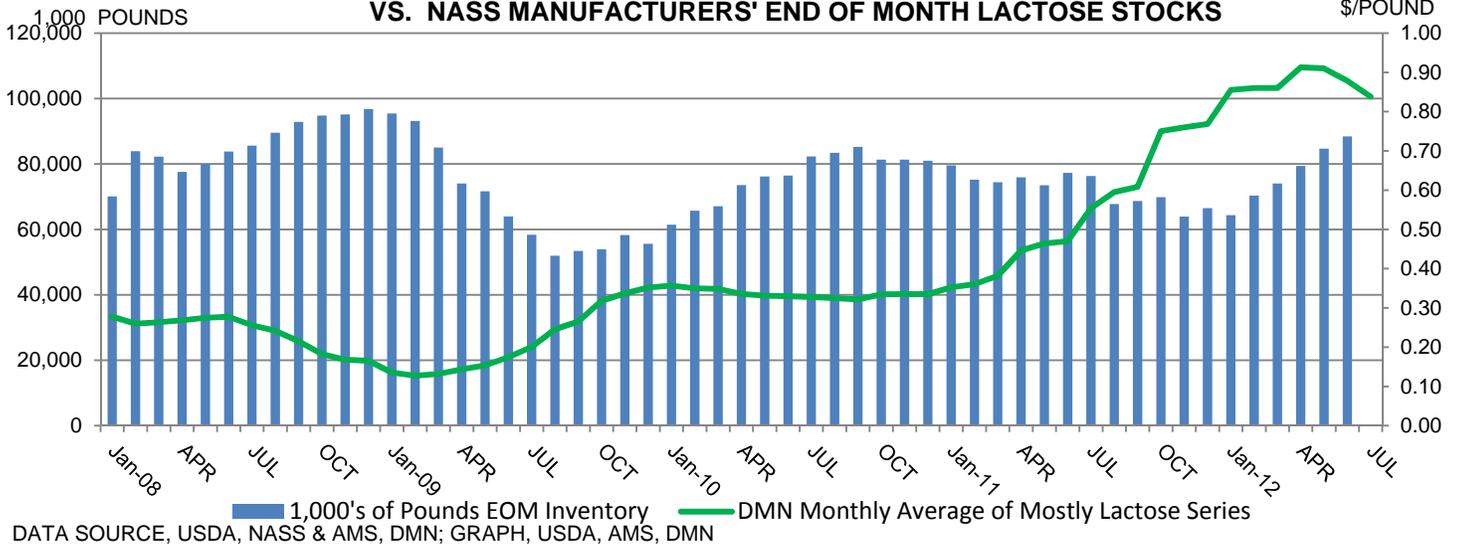
DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

MILK/FEED RATIO VS COWS ON FARMS

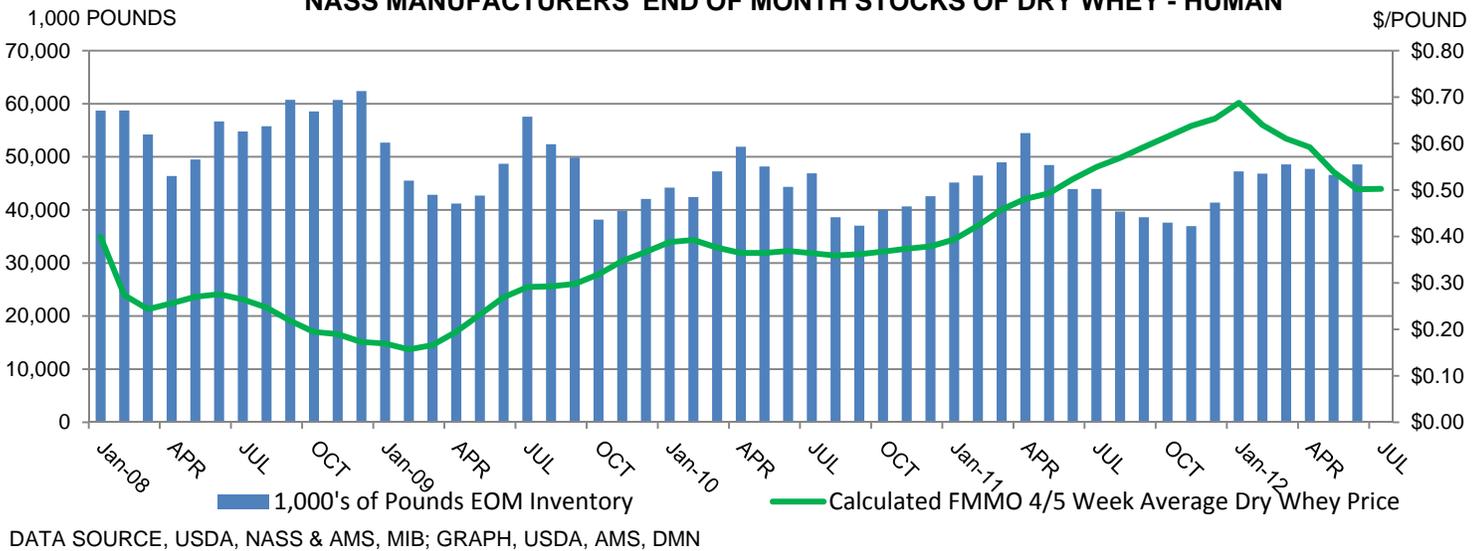


DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

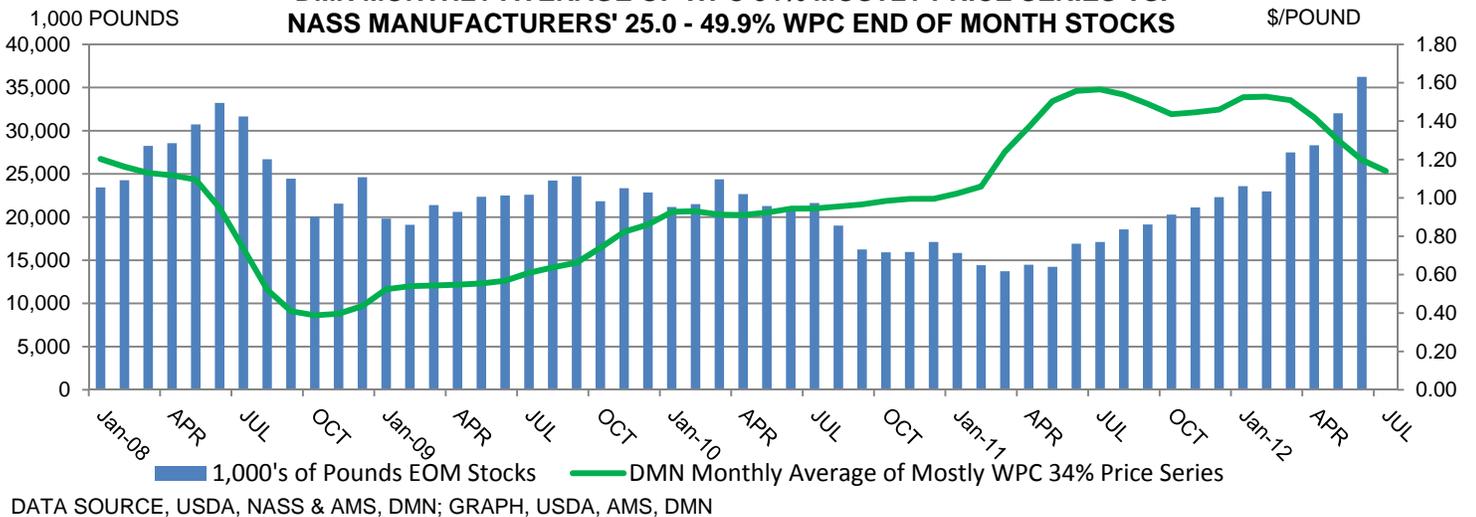
DMN LACTOSE MONTHLY AVERAGE OF MOSTLY PRICE SERIES VS. NASS MANUFACTURERS' END OF MONTH LACTOSE STOCKS



4-5 WEEK AVERAGE DRY WHEY PRICES FROM FMMO CALCULATED MILK PRICE FORMULAS VS. NASS MANUFACTURERS' END OF MONTH STOCKS OF DRY WHEY - HUMAN



DMN MONTHLY AVERAGE OF WPC 34% MOSTLY PRICE SERIES VS. NASS MANUFACTURERS' 25.0 - 49.9% WPC END OF MONTH STOCKS





Dairy Market News Branch

Agricultural
Marketing
Service

National Dairy Retail Report

Websites: <http://www.marketnews.usda.gov/portal/da> and <http://www.ams.usda.gov/mnreports/dybretail.pdf>

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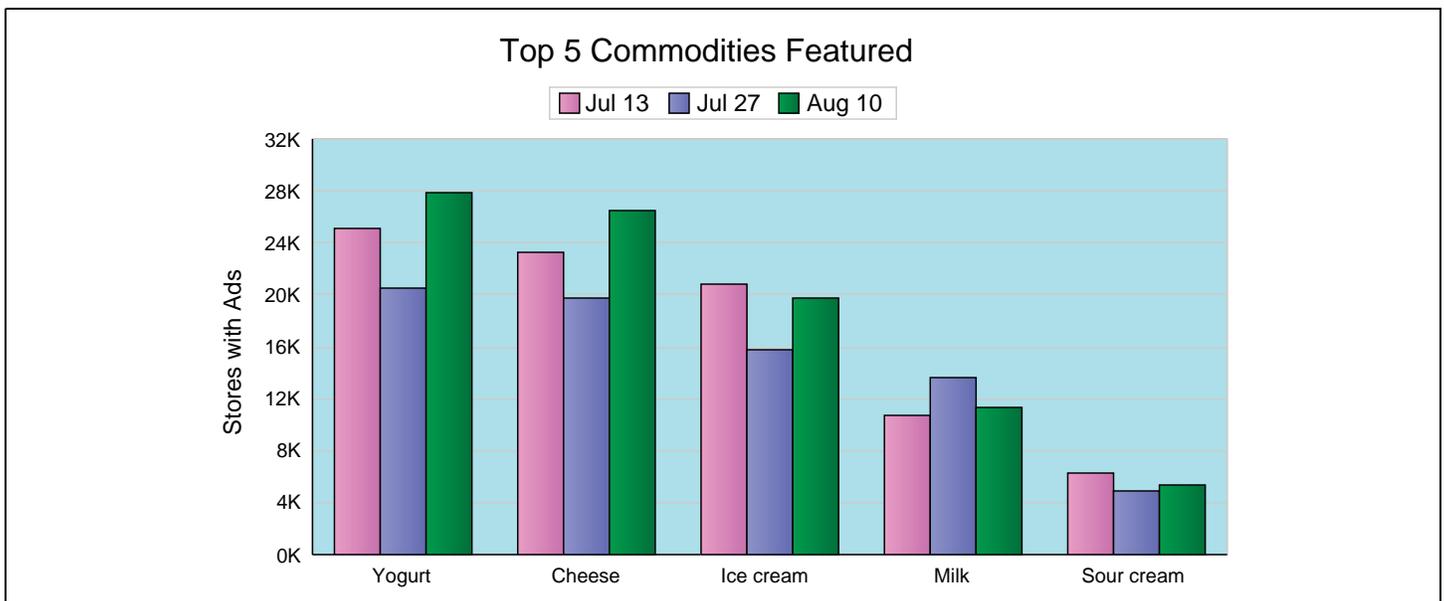
Advertised Prices for Dairy Products at Major Retail Supermarket Outlets 07/30 to 08/10

Total conventional dairy retail ads increased by 4.4% this week, following a 20.1% decline the previous reporting period. Conventional cheese and yogurt ad numbers increased while ads for milk declined by 32.3% and cream cheese ads declined by 51.6%.

The most advertised cheese category, 8 ounce shreds, has a weighted average advertised price of \$2.35, a 8.8% increase from last cycle. The average price for 8 ounce blocks, \$2.32, is a 5.5% increase from the last cycle. The weighted average advertised price of 4-6 ounce yogurt is \$.49 and \$.99 for 4-6 ounce Greek yogurt. The weighted average advertised price of each type of yogurt is one cent lower than during the last survey period. The weighted average advertised price for 48-64 ounce ice cream containers is \$3.12, up 3.0%.

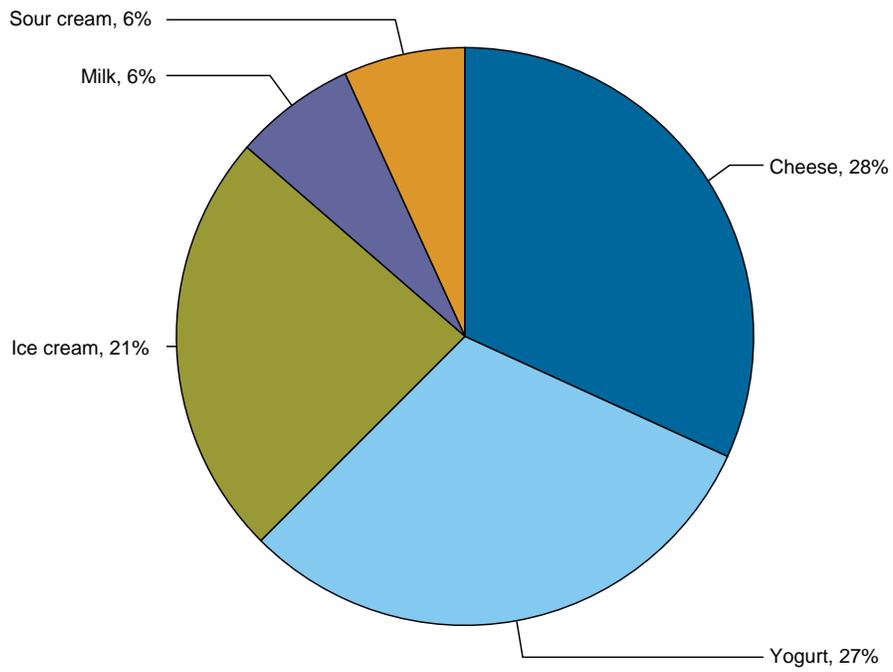
Ice cream in 48-64 ounce containers is the single most advertised item this survey period, having increased by 25.7%, after declining by 24.0% during the last reporting period. However, if all package sizes of cheese or yogurt are totaled, cheese and yogurt each have more ads than 48-64 ounce ice cream. Yogurt ad numbers increased by 36.5%, more than reversing the 20.1% decline two weeks ago. Cheese ad numbers increased by 34.4%, following a decline of 15.0% during the last survey period.

Conventional milk's national weighted average advertised price for half gallons this period, \$2.28, is 47 cents above two weeks ago. Organic milk's national weighted average advertised price for half gallons, \$3.27, is down 37 cents from last period. This results in an organic-conventional half-gallon milk advertised price spread of \$0.99, down from \$1.83 two weeks ago. Numbers of ads for conventional half gallons milk store brands are a bit higher than ads for national brands. In contrast, with organic milk, over fourteen times as many ads for half gallons appeared for store brands than national brands.

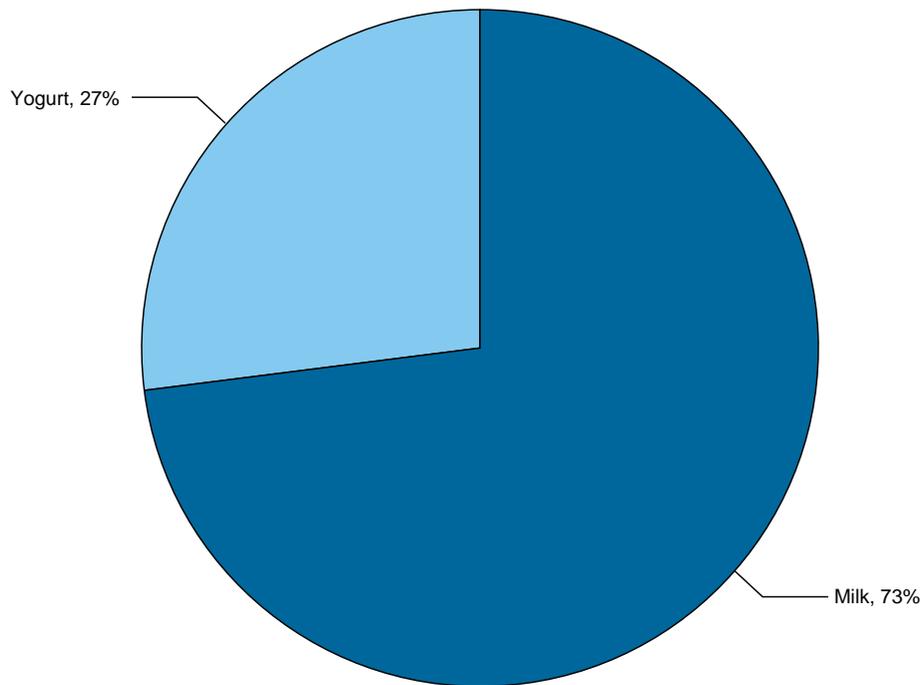


1 -- Dairy Market News surveys more than 150 retailers, comprising nearly 16,000 individual stores, with online weekly advertised features.
2 -- Date range reflects two-week period, however only one data collection per retailer is made during the period.

Top 5 Percentage of Total Conventional Ads



Top 5 Percentage of Total Organic Ads





NATIONAL -- CONVENTIONAL DAIRY PRODUCTS

Commodity	Type	Pack Size	THIS PERIOD		TWO WEEKS AGO	
			Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price
Butter		1 #	3734	2.59	3653	2.34
Cheese	Natural Varieties	8 oz block	5873	2.32	8085	2.20
Cheese	Natural Varieties	1 # block	6473	3.96	1793	3.94
Cheese	Natural Varieties	2 # block	509	5.66	355	5.39
Cheese	Natural Varieties	8 oz shred	10275	2.35	9021	2.16
Cheese	Natural Varieties	1 # shred	3418	3.38	493	4.12
Cottage cheese		16 oz	2817	1.83	2397	1.85
Cream cheese		8 oz	2905	1.69	6006	1.41
Flavored milk	All fat tests	half gallon	615	1.86	390	1.82
Flavored milk	All fat tests	gallon	826	3.55	813	4.41
Ice cream		48-64oz	19728	3.12	15698	3.03
Milk	All fat tests	half gallon	913	2.28	1542	1.81
Milk	All fat tests	gallon	5284	2.51	6255	2.82
Sour cream		16 oz	5366	1.57	4859	1.45
Yogurt	Greek	4-6 oz	15735	.99	8868	1.00
Yogurt	Greek	32 oz	130	2.99	99	3.46
Yogurt	Yogurt	4-6 oz	8894	.49	9016	.50
Yogurt	Yogurt	32 oz	1115	2.26	975	2.15

REGIONAL -- CONVENTIONAL DAIRY PRODUCTS

Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	2.29-3.49	1255	2.89	2.29-3.00	1733	2.48	1.48-2.50	448	2.01
Cheese	Natural Varieties	8 oz block	1.50-2.99	3176	2.26	1.67-3.00	1159	2.56	1.25-2.49	666	1.83
Cheese	Natural Varieties	1 # block	2.50-4.99	880	3.33	2.99-4.99	659	3.59	2.99-4.99	1040	4.09
Cheese	Natural Varieties	8 oz shred	1.50-3.00	2396	2.36	1.67-3.00	2839	2.26	1.25-2.50	1164	2.15
Cheese	Natural Varieties	1 # shred	2.50-4.49	499	2.99	2.50-3.59	463	2.86	2.99-4.99	956	3.71
Cottage cheese		16 oz	1.99-2.99	1206	2.19	1.25-2.19	64	1.69	1.25-1.49	213	1.36
Cream cheese		8 oz	1.00-2.99	1971	1.78	0.93	109	.93	0.99-1.99	522	1.59
Flavored milk	All fat tests	half gallon				2.49	107	2.49	1.50-1.99	223	1.59
Flavored milk	All fat tests	gallon	3.99-4.00	473	3.99				2.29-3.00	353	2.95
Ice cream		48-64oz	1.50-4.59	5205	2.91	1.88-5.50	2971	3.20	1.99-4.99	2835	2.92
Milk	All fat tests	half gallon	2.99-3.49	327	3.34	1.50-2.99	321	2.08	1.25-1.66	147	1.34
Milk	All fat tests	gallon	2.49-2.99	494	2.84	1.97-2.99	763	2.45	1.99-2.69	1255	2.40
Sour cream		16 oz	0.99-1.99	2595	1.56	1.25-2.00	1038	1.80	0.99-1.99	833	1.58
Yogurt	Greek	4-6 oz	0.89-1.50	4189	1.01	0.79-1.00	3451	.99	1.00	1687	1.00
Yogurt	Greek	32 oz	2.99	130	2.99						
Yogurt	Yogurt	4-6 oz	0.33-0.60	2103	.46	0.50-0.60	1886	.53	0.25-0.60	1604	.47
Yogurt	Yogurt	32 oz	1.50-2.29	144	2.11				2.00-2.50	542	2.11

Wtd Avg - Simple weighted average



Commodity	Type	Pack Size	SOUTH CENTRAL U.S.			SOUTHWEST U.S.			NORTHWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #				2.00-2.98	211	2.66	2.29-3.99	87	3.09
Cheese	Natural Varieties	8 oz block	1.99-3.00	498	2.42	2.49	143	2.49	2.50-2.99	231	2.93
Cheese	Natural Varieties	1 # block	2.99-4.99	867	3.86	2.97-4.99	2359	4.30	2.99-3.99	668	3.87
Cheese	Natural Varieties	2 # block				6.99-7.98	207	7.67	2.99-4.99	302	4.29
Cheese	Natural Varieties	8 oz shred	1.97-3.00	972	2.34	1.99-2.59	1993	2.46	1.50-4.59	911	2.64
Cheese	Natural Varieties	1 # shred	2.99-3.99	538	3.45	2.99-4.99	882	3.49	2.99	80	2.99
Cottage cheese		16 oz	1.25-2.00	451	1.66	1.25-2.50	685	1.63	1.25	198	1.25
Cream cheese		8 oz	1.50	210	1.50	1.49-2.00	93	1.63			
Flavored milk	All fat tests	half gallon	1.99-2.59	167	2.41				1.00	118	1.00
Ice cream		48-64oz	1.98-5.00	1933	3.23	2.50-4.99	4885	3.38	2.79-3.99	1899	3.13
Milk	All fat tests	half gallon							1.00	118	1.00
Milk	All fat tests	gallon	1.97-2.79	652	2.17	1.57-2.99	1474	2.66	2.49-2.89	646	2.54
Sour cream		16 oz	1.19-2.00	510	1.40	1.00-2.50	234	1.29	1.25-1.50	156	1.31
Yogurt	Greek	4-6 oz	0.79-1.25	2283	.98	0.80-1.00	3310	.97	1.00	815	1.00
Yogurt	Yogurt	4-6 oz	0.34-0.60	659	.48	0.50-0.60	1850	.50	0.50-0.79	792	.55
Yogurt	Yogurt	32 oz	2.00-2.18	60	2.09	2.00-2.99	341	2.52	2.99	28	2.99

NATIONAL -- ORGANIC DAIRY PRODUCTS

Commodity	Type	Pack Size	THIS PERIOD		TWO WEEKS AGO	
			Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price
Butter		1 #			500	4.32
Cheese	Natural Varieties	8 oz block			32	3.00
Cheese	Natural Varieties	8 oz shred			32	2.50
Milk	All fat tests	half gallon	4005	3.27	4646	3.64
Milk	All fat tests	gallon			308	5.99
Milk	All fat tests	8 oz UHT	1086	1.01	831	1.00
Sour cream		16 oz			56	4.49
Yogurt	Greek	4-6 oz	381	1.25	587	1.14
Yogurt	Greek	32 oz	130	2.50		
Yogurt	Yogurt	4-6 oz	1350	.63	602	.59
Yogurt	Yogurt	32 oz	70	2.50	321	2.99

REGIONAL -- ORGANIC DAIRY PRODUCTS

Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Milk	All fat tests	half gallon	3.99-4.09	195	4.07	2.79-3.19	409	2.96	2.29-4.09	784	3.24
Milk	All fat tests	8 oz UHT	1.00-1.25	543	1.03	1.00	463	1.00	1.00	37	1.00

Wtd Avg - Simple weighted average



Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Yogurt	Greek	4-6 oz	1.25	141	1.25	1.25	214	1.25	1.19	26	1.19
Yogurt	Greek	32 oz	2.50	130	2.50						
Yogurt	Yogurt	4-6 oz	0.60-0.79	966	.65	0.57	202	.57			

Commodity	Type	Pack Size	SOUTH CENTRAL U.S.			SOUTHWEST U.S.			NORTHWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Milk	All fat tests	half gallon	2.79-4.99	566	3.12	3.29-3.59	1463	3.46	2.87-2.99	588	2.94
Milk	All fat tests	8 oz UHT	1.00	43	1.00						
Yogurt	Yogurt	4-6 oz	0.60	65	.60	0.60	117	.60			
Yogurt	Yogurt	32 oz				2.50	70	2.50			

NATIONAL -- CONVENTIONAL DAIRY PRODUCTS

NATIONAL BRANDS vs STORE BRANDS

Commodity	Type	Pack Size	NATIONAL BRANDS				STORE BRANDS			
			Low Price	High Price	Stores with Ads	Wtd Avg Price	Low Price	High Price	Stores with Ads	Wtd Avg Price
Butter		1 #	1.88	3.99	769	3.01	1.48	3.19	2965	2.48
Cheese	Natural Varieties	8 oz block	1.49	3.00	4349	2.40	1.25	2.99	1524	2.09
Cheese	Natural Varieties	1 # block	3.99	4.99	2768	4.78	2.50	4.99	3705	3.35
Cheese	Natural Varieties	8 oz shred	1.49	4.59	8663	2.40	1.25	3.00	1612	2.10
Cheese	Natural Varieties	1 # shred	3.99	4.99	409	4.42	2.50	4.99	3009	3.23
Cheese	Natural Varieties	2 # block					2.99	7.98	509	5.66
Cottage cheese		16 oz	2.19	2.99	180	2.62	1.25	2.99	2637	1.77
Cream cheese		8 oz	.99	2.50	851	2.10	.93	2.99	2054	1.52
Flavored milk	All fat tests	half gallon	1.50	1.50	124	1.50	1.00	2.59	491	1.95
Flavored milk	All fat tests	gallon	2.99	3.99	373	3.91	2.29	4.00	453	3.24
Ice cream		48-64oz	1.99	5.50	11521	3.22	1.50	4.99	8207	2.98
Milk	All fat tests	half gallon	1.66	3.49	355	3.21	1.00	2.99	558	1.68
Milk	All fat tests	gallon	1.99	2.99	441	2.85	1.57	2.99	4843	2.48
Sour cream		16 oz	1.49	2.50	2327	1.82	.99	1.99	3039	1.39
Yogurt	Greek	4-6 oz	.79	1.50	13578	1.00	.80	1.00	2157	.90
Yogurt	Greek	32 oz	2.99	2.99	130	2.99				
Yogurt	Yogurt	4-6 oz	.25	.60	7077	.51	.25	.79	1817	.44
Yogurt	Yogurt	32 oz	2.00	2.99	739	2.21	1.50	2.99	376	2.35

NATIONAL -- ORGANIC DAIRY PRODUCTS

NATIONAL BRANDS vs STORE BRANDS

			NATIONAL BRANDS				STORE BRANDS			
Commodity	Type	Pack Size	Low Price	High Price	Stores with Ads	Wtd Avg Price	Low Price	High Price	Stores with Ads	Wtd Avg Price
Milk	All fat tests	half gallon	3.49	4.99	264	3.87	2.29	4.09	3741	3.23
Milk	All fat tests	8 oz UHT	1.00	1.25	1086	1.01				
Yogurt	Greek	4-6 oz	1.25	1.25	355	1.25	1.19	1.19	26	1.19
Yogurt	Greek	32 oz	2.50	2.50	130	2.50				
Yogurt	Yogurt	4-6 oz	.57	.67	1115	.60	.79	.79	235	.79
Yogurt	Yogurt	32 oz	2.50	2.50	70	2.50				

REGIONAL DEFINITIONS

As used in this report, regions include the following states:

NORTHEAST U.S.	Connecticut, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New jersey, New York, Pennsylvania, Rhode Island and Vermont
SOUTHEAST U.S.	Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia
MIDWEST U.S.	Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, North Dakota, Nebraska, Ohio, South Dakota and Wisconsin
SOUTH CENTRAL U.S.	Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, and Texas
SOUTHWEST U.S.	Arizona, California, Nevada and Utah
NORTHWEST U.S.	Idaho, Montana, Oregon, Washington, and Wyoming
NATIONAL	Continental United States

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